



CORPORACIÓN  
DE PROTECCIÓN DEL  
AHORRO BANCARIO  
**COPAB** URUGUAY

ANNUAL REPORT AS AT 31 DECEMBER 2012

---







	Glossary	6
	Message from the President	7
1.	Deposit Insurance in Uruguay	12
2.	The Bank Savings Protection Corporation	15
	2.1 Mandate	16
	2.2 Leadership	16
	2.3 Mission	16
	2.4 Vision	18
	2.5 Corporate Values	18
	2.6 Organization Chart	19
	2.7 Significant Events in COPAB's History	20
	2.8 Main Challenges	20
3.	Operations Report	23
	3.1 Capacity Building	26
	3.1.1 Agreements with BCU	26
	3.1.2 Operation	26
	3.1.3 Human Resources	26
	3.1.4 General Training	27
	3.1.5 Participation in International Events	28
	3.2 Managing the Deposit Insurance System	31
	3.2.1 Uruguayan Banking System	32
	3.2.2 Deposit Insurance System (SSD)	33
	3.2.3 Liquid Assets and Investments	34
	3.2.4 Deposits Information System	35
	3.2.5 Deposits Information Summary	35
	3.2.6 Determination of Contributions	36
	3.2.7 In Situ Audits	36
	3.2.8 Risk Assessment	36
	3.2.9 Specific Training	37
	3.2.10 Public Awareness	37
	3.3 Bank Resolution Process (PRB)	37
	3.3.1 Analysis of Legal and Regulatory Framework	39
	3.3.2 Bank Resolution Operating Plan	40
	3.3.3 Relationships with SSF and BCU	40
	3.3.4 Transfer of Ongoing Bank Liquidations	41
	3.3.5 Specific Training	41
4.	FGDB Financial Statements as at 31 December 2012	43
5.	COPAB Financial Statements as at 31 December 2012	77
6.	Bank Assets Recovery Funds Financial Statements as at 31 December 2012	103

## GLOSSARY

### Acronyms

BCU	Central Bank of Uruguay
CEF	Financial Stability Committee
COPAB	Corporación de Protección del Ahorro Bancario (Bank Savings Protection Corporation)
CRAL	IADI Regional Committee for Latin America
FGDB	Fondo de Garantía de Depósitos Bancarios (Deposit Insurance Fund)
IADI	International Association of Deposit Insurers
PRB	Bank Resolution Process
SIDIIF	Financial Institutions Deposit Information System
SSD	Deposit Insurance System
SSF	Financial Services Authority

## DEFINITIONS

**Insured deposits:** Deposits covered pursuant to section 31 of Law 18,401 dated 24 October 2008; that is, covered by the FGDB in the event of winding up of the respective financial institution.

**Covered amount:** The portion of the insured deposit to be repaid to depositors in the event of winding up of the financial institution, pursuant to section 5 of Decree 103/005 dated 7 March 2005.

The Corporation has finished its third year of activity managing Uruguay's deposit insurance system, and it is now time to make a general assessment. Although we are still in the process of building our institutional capacities, and we have several challenges ahead, both self-assessment and the external assessment carried out in 2012 have revealed a satisfactory degree of compliance with appropriate international standards.

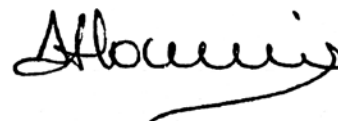
As members of the International Association of Deposit Insurers (IADI), we have carried out self-assessment as proposed by this Association regarding compliance with the Core Principles for Effective Deposit Insurance Systems, approved in 2009 by the IADI and the Basel Committee on Banking Supervision. As their name suggests, these principles constitute a set of general regulations, designed to adjust to a broad spectrum of circumstances regarding countries, institutional arrangements and structures. Each country must consider its own specific conditions when starting its self-assessment process.

Furthermore, in September 2012, COPAB received the FSAP (Financial System Assessment Program) Mission, composed of experts from the World Bank and the International Monetary Fund, within the framework of the program agreed by the Government of Uruguay with these organizations. For two weeks, the Mission carried out a detailed assessment of the deposit insurance system in Uruguay managed by COPAB, and concluded it fully adjusts to the best international practices. At the same time, several areas for improvement were highlighted, mostly concerning bank resolution problems affecting financial institutions in crisis.

Consequently, the assessment process undertaken by the Corporation has helped us become aware of both our strengths and weaknesses, inspiring our plans to improve management while contributing to set priority objectives. In this sense, two main work areas require the organization's attention: public awareness on the existence of the deposit insurance system and improvement of bank resolution mechanisms, within the framework of coordination and cooperation with the other members of the financial system's safety net.

In this sense, the periodic functioning of the Financial Stability Committee, which gathers twice a year the Minister of Economy and Finance, the President of the Central Bank of Uruguay, the Superintendent of Financial Services, and the President of COPAB, permits to create a shared vision of Uruguayan financial system's weaknesses and strengths. In addition, it contributes to facilitate cooperation mechanisms which are essential to guarantee a correct operation of the safety net, by building long-lasting inter-institutional links.

To conclude, we have closed the year on a satisfactory note, which encourages us to face with greater determination the task of improving the deposit insurance system management performed by COPAB.



President  
**Adela Hounie**



Adela Hounie  
President



Hugo Libonatti  
Vice President



José A. Pini  
Director



José Sanchez  
Deputy Manager



Jorge Sanchez  
Manager



Gabriel Lemus  
Deputy Manager



The background features a series of concentric, curved lines in a light beige color, creating a sense of depth and movement. The lines are thicker and more prominent on the right side of the page, tapering off towards the left.

1

Deposit Insurance in Uruguay

The serious bank crisis that struck Uruguay in 2002 considerably affected commercial banks, ultimately leading to the disappearance of some of the most relevant financial institutions in Uruguay, and to a virtual collapse of the national financial system. This marked the end of the implicit and free deposit insurance system, which had so far successfully operated, virtually without exceptions, funded by the Government.

To combat the crisis, Law 17,613 (Bank System Strengthening Act) was enacted on 27 December 2002. Among the measures provided for under this Law, were the creation of the Bank Savings Protection Authority (SPAB), as a decentralized unit of the Central Bank of Uruguay (BCU). The Deposit Insurance Fund (FGDB) was simultaneously created; this Fund receives contributions from financial institutions with insured deposits. The Deposit Insurance Fund, which is an independent patrimony of affectation (*patrimonio de afectación*)<sup>1</sup>, with no legal personality, was to be managed by SPAB, exercising full ownership powers, without being an effective owner, in order to comply with its mandate.

The mandate of the Bank Savings Protection Authority (SPAB) was to ensure the reimbursement of bank and financial cooperative deposits, such reimbursement to be funded by FGDB, under the conditions provided for by the law and its regulations, for the case of Uruguayan financial institutions' liquidation. This marked the creation of the first explicit, onerous and mandatory-membership deposit insurance system.

On 1 February 2006, shortly after the first contributions to FGDB began to be received, one of the institutions contributing to the Fund (Cooperativa Nacional de Ahorro y Crédito - COFAC) was closed. After BCU resolved to suspend it, the mechanism for payment of the coverage began to operate, through which approximately 80,000 depositors from this cooperative received the deposit insurance under the terms set forth by Decree 103/005 of 7 March 2005 (up to US\$ 5,000 and 250,000 Indexed Units per person).

A total of approximately US\$ 47 million was paid. FGDB had, at that time, US\$ 27 million (US\$ 7 million contributed by banks and US\$ 20 million of preferred capital paid by the Government

as initial contribution). At the same time, SPAB, making use of the powers conferred to it under the law, requested from the institutions contributing to FGDB an advanced payment of US\$ 20 million for future contributions, in order to reach the necessary amount required to reimburse COFAC depositors.

The existence of a previously developed IT system, for carrying out the necessary procedures, guaranteed good payment results to the depositors. Furthermore, through the subsequent purchase of the abovementioned institution by Banco Banes Uruguay S.A., depositors were able to recover 100% of their savings.

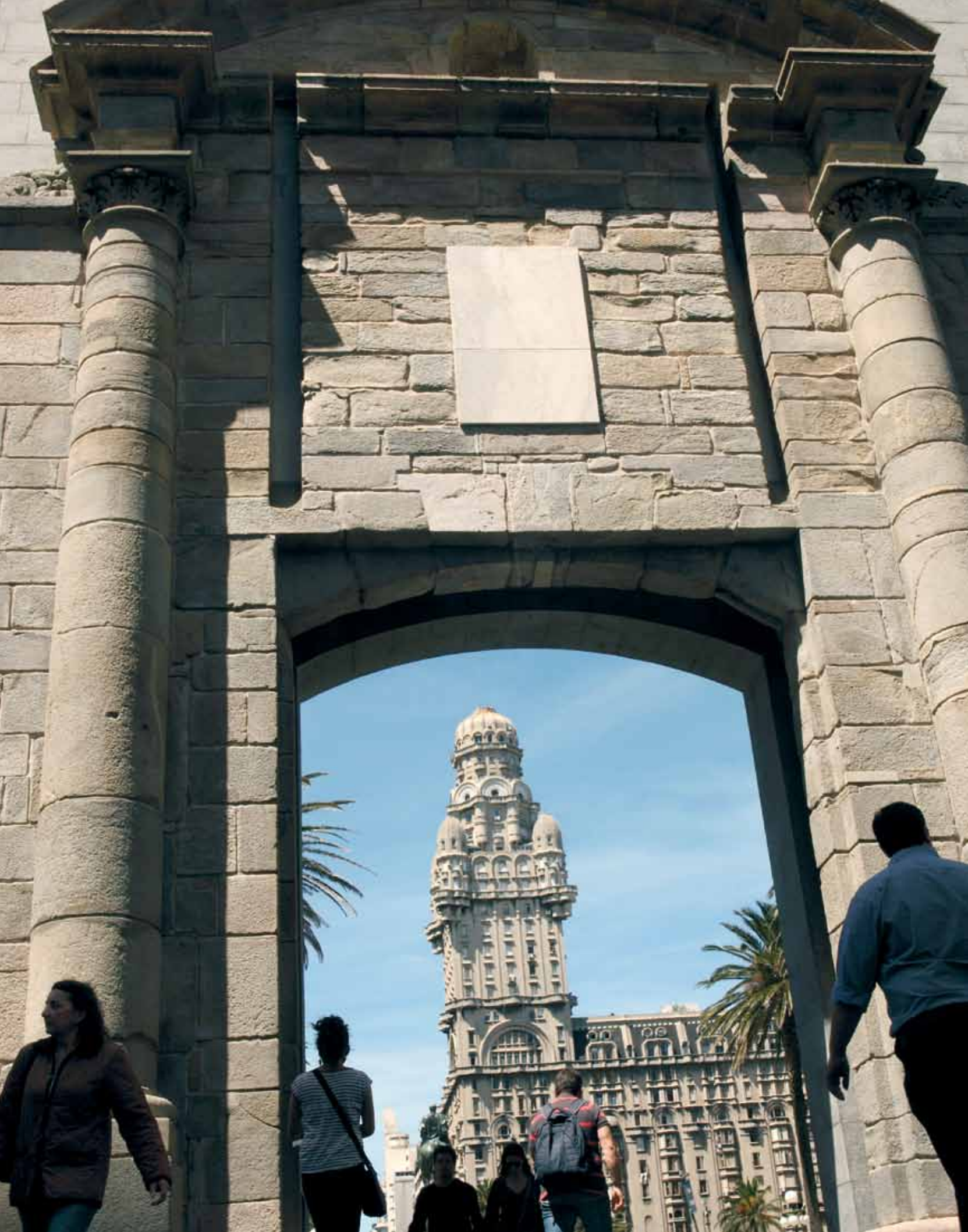
After this insolvency situation, and in a context of growing stability of the Uruguayan financial market, SPAB was not required to adopt this measure again, and directed its efforts to the professionalization of its activity and to accomplish an effective management of FGDB, within the powers set forth by the law.

Subsequently, within the context of an amendment to the Central Bank of Uruguay's Charter, attempts at improving the new deposit insurance system were made, seeking its autonomy with respect to the Central Bank, as well as new functions. There was a conviction that a clear set out of the possible conflicts of interest to exist between a deposit insurer, a supervisor and regulator of the system, and a lender of last resort, would strengthen the operation of the financial system's safety net. Therefore, pursuant to Law 18,401 dated 24 October 2008, the Bank Savings Protection Corporation (COPAB) was created, as an entity to undertake the functions previously assigned to SPAB, as well as certain new functions concerning management of the bank resolution process of financial institutions in crisis, and their liquidation.

<sup>1</sup> The patrimony of affectation is a patrimony, or legal entitlement, that can be divided for a purpose, as being distinct from the general patrimony of the person. It is similar to the common law concept of the trust in some aspects. The property remains outside the patrimony of the grantor.

CORPORACIÓN  
DE PROTECCIÓN DEL  
AHORRO BANCARIO  
**COPAB** URUGUAY







2

Bank Savings Protection  
Corporation

## 2. The Bank Savings Protection Corporation

The Bank Savings Protection Corporation (COPAB) is a non-government-controlled legal person ruled by public law created pursuant to Law 18,401 of 24 October 2008. It began its activity on 1 September 2009, when the members of the Corporation's First Board of Directors took office.

Being aware of the importance of the Mission and Vision as the basis on which modern institutions build their strategy, set their goals and plan their objectives, COPAB resolved to define these concepts, as well as the Principles and Values and the Strategic Goals guiding its activity throughout each year.

### 2.1 Responsibilities

Regarding COPAB's mandate, a distinction can be drawn between those responsibilities already assigned to the Bank Savings Protection Authority (SPAB), after Law 17,613 was passed on 27 December 2002, and new responsibilities assigned pursuant to Law 18,401 and Decree 224/011.

The first group of responsibilities includes management of the Deposit Insurance System (SSD) as a Payment Box, that is: management of the Deposit Insurance Fund, and reimbursing bank and financial cooperative depositors in case such entities undergo liquidation.

Additionally, the law includes among COPAB's mandate, the intervention of financial institutions declared by BCU as being under a Bank Resolution Process, as well as the application of the Solution Procedures failing which, COPAB would be authorized by BCU to undertake the winding up of the financial institution in crisis, as part of an administrative proceeding.

Consequently, the Corporation performs the role of a deposit insurer with extended powers, and is part of the financial system safety net, together with the lender of last resort (BCU) and the system's supervisor and regulator (BCU Financial Services Authority).

It should be noted that it was after the enactment of Decree 224/011 of 23 June 2011, which created the Financial Stability Committee (CEF), that COPAB's role in maintaining such stability was explicitly mentioned. The Financial Stability Committee

currently comprises the Minister of Economy and Finance, the President of the Central Bank of Uruguay, the Superintendent of Financial Services, and the President of COPAB. The basic reason for its creation is the conviction that financial stability is a public asset, which requires the financial system's safety net to systematically identify and monitor the risks to which financial activity is exposed.

The existence of the CEF is vital for COPAB, since it strengthens both COPAB's role as a specialized participant in the financial safety net, as well as the implementation of coordination mechanisms with the other members of the net.

### 2.2 Leadership

The Entity is run by a Board of Directors comprising a President, a Vice President, and a Director, appointed by the Executive Power with the Senate's approval. The Director is selected from a list of three candidates proposed by the institutions which make contributions to the Deposit Insurance Fund. The members of the Board of Directors hold their offices for an 8-year term, after having been appointed for diverse-length periods throughout their first term of office, which allows for staggered termination of individual terms of office, thus contributing to the corporation's stability.





### 2.3 Mission

To contribute with the stability of, and confidence in, the financial system, cooperating with the Central Bank of Uruguay (BCU), and particularly, with the Financial Services Authority (SSF). To promote the protection of banks' and financial cooperatives' savings, conducting the solution process or reimbursing insured depositors with FGDB resources, in order to minimize the impact of crisis situations. To effectively manage the Fund's resources. To manage receiverships of failed financial institutions and its collateral institutions.

### 2.4 Vision

To be recognized as a professional, reliable, efficient, and transparent institution as regards fulfillment of its mission. To be perceived as a specialized participant in the financial safety net, operating in cooperation with the Central Bank of Uruguay and the Financial Services Authority. To be appreciated as an organization relying on a competent and committed staff, proud to belong to this organization.

### 2.5 Principles and Core Values

#### 1. Integrity.

To evidence a sense of rectitude, probity and honesty.

#### 2. Professionalism.

To provide a service ensuring results and excellence.

#### 3. Efficiency.

To be able to achieve planned objectives and goals, optimizing available resources.

#### 4. Commitment.

To perform its obligations surpassing expectations, and being constantly willing to serve and to collaborate with others.

#### 5. Teamwork.

To build a team with supplementary capabilities, engaged in the institutional project, sharing mutual responsibility.

#### 6. Independence.

To make independent decisions, seeking objectiveness and impartiality.

#### 7. Responsibility.

To be able to recognize and accept the consequences of its actions and decisions. To be accountable to the community as a whole as well as to other stakeholders.

#### 8. Responsible Transparency.

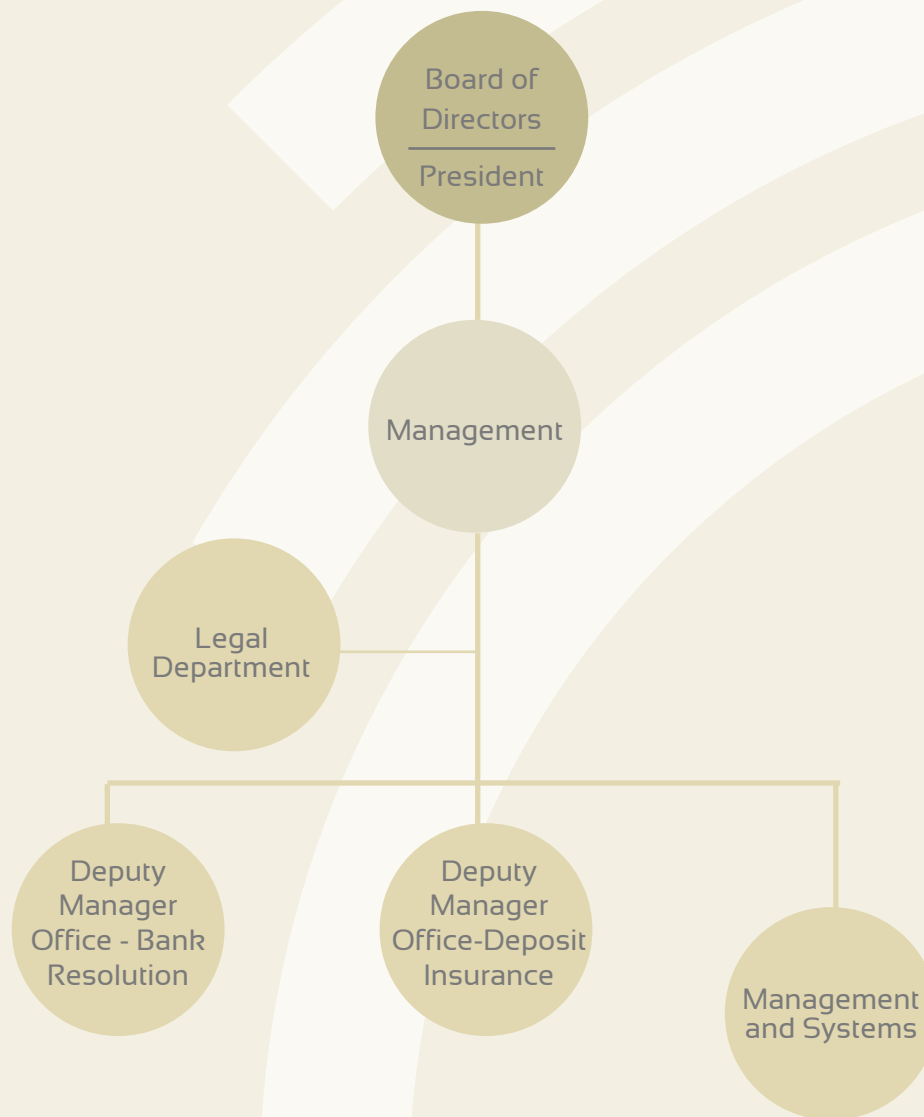
To guarantee people's right to access public information, excluding any secret, restricted, or confidential information.

#### 9. Confidentiality.

To ensure information is only disclosed to duly authorized parties.

## 2.6 Organization Chart

In view of the importance of defining positions and responsibilities of COPAB members to ensure an effective performance, COPAB's organization chart was defined as follows:



Within the Corporation's Management, which reports directly to the Board of Directors, two Deputy Manager Offices can be distinguished, both of which undertake COPAB's substantial functions (Deposit Insurance: 4 officers, and Bank Resolution: 3 officers), a supporting function in the Management and Systems Areas (2 officers), and a Legal Department (1 officer). Furthermore, both the mission and the main responsibilities of the abovementioned bodies were defined.

## 2.7 Significant Events in COPAB's History

**24 October 2008** - Section 14 of Law 18,401, which amended the Central Bank of Uruguay (BCU) Charter, created COPAB as a non-government-controlled legal person ruled by public law.

**1° September 2009** The First Board of Directors was appointed, with Adela Hounie as President; Hugo Libonatti as Vice President, and José Pini as Director.

**23 June 2011** The Government created the Financial Stability Committee, comprising the Minister of Economy and Finance, the President of the Central Bank of Uruguay, the Superintendent of Financial Services, and COPAB's President.

**16 December 2011** BCU and COPAB agreed on the terms and conditions for transferring to COPAB the ongoing liquidation cases concerning financial institutions (Banco Comercial, Banco de Montevideo, Banco La Caja Obrera, their respective Bank Asset Recovery Funds, and collateral entities).

**March 2012** The 11th Meeting of IADI's Regional Committee for Latin America (CRAL) was held in Punta del Este, an event which was hosted by COPAB. In this context, the Conference entitled "Current Strategies to Strengthen Financial Systems' Stability" was organized, with the participation of representatives from the national financial safety net, as well as distinguished international speakers.

**September 2012** COPAB received the FSAP (Financial System Assessment Program) Mission, comprising representatives of the International Monetary Fund and the World Bank, as part of an initiative to assess the Uruguayan financial system. The purpose of COPAB's Mission was to assess the degree of compliance with the Core Principles for Effective Deposit Insurance Systems, approved by IADI and the Basel Committee on Banking Supervision. The final report received in January 2013, concluded there is a high degree of compliance with these principles by the Corporation.

## 2.8 Main Challenges

COPAB seeks to professionally manage the resources under its administration, which constitute a patrimony, the main purpose of which is to protect depositors' savings kept at financial institutions. Thus, COPAB seeks to apply verified international practices, in compliance with the Core Principles approved by the IADI and the Basel Committee on Bank Supervision.

Even though COPAB shows several strengths in terms of its staff's expertise and qualifications, its computerized data collection and processing systems, and its close working relationship with other members of the financial safety net, there are several areas which represent an opportunity to improve COPAB's activity.

After performing a self-assessment regarding compliance with the abovementioned principles, and after the assessment of the abovementioned FSAP Mission, we conclude that one of the main goals to be achieved is that of improving the manuals on bank resolution (from preparation for the intervention to liquidation, including the Solution Procedures), which permit to ensure a minimum-cost resolution in the event of a crisis affecting a financial institution.

At the same time, there are other significant areas for improvement, such as public awareness regarding the deposit insurance system, which shall require participation in financial education initiatives aimed at the general public, among other activities.





A large, bold, blue number '3' is centered on the page. The background features several thick, light-colored curved lines that sweep across the right side of the page, creating a sense of motion and depth.

Operations Report

During 2012, COPAB focused on achieving the following goals:

- Strengthening its status as an institution;
- Strengthening SSD management;
- Designing policies and operational manuals regarding the activities the law assigns to the Corporation in connection with the Bank Resolution Process, whenever a financial institution in crisis needs to be intervened.
- Managing financial institutions' liquidation proceedings transferred by the Central Bank of Uruguay.

Below we describe the main features of COPAB's operations regarding its institutional status, the Deposit Insurance System and the Bank Resolution Process.





The background features a series of concentric, curved lines in a light cream color, set against a solid light beige background. The lines are positioned on the right side of the page, creating a sense of depth and movement.

3.1

Capacity Building

COPAB's status as an institution has been strengthened in 2012 due to the approval of the Board of Directors' Resolution providing for the conditions of applicability of Law No. 18,381 of 17 October 2008 and Decree 232/2010 regarding rights of access to public information.

Pursuant to the law, and considering that the right of access to public information is a universal right, which should be exercised without the need to justify the reasons for which information is requested, COPAB resolved to apply the abovementioned regulations, classifying the information arising from its own activity and appointing a person responsible for receiving information requests and submitting such information.

Furthermore, it should be noted that the 2012 Budget was prepared in September 2011, and approved by the Government through Decree 467/O11 dated 27 December 2011. This budget's main features are as follows: 1) the projected income arises almost exclusively from the funds contributed by the FGDB pursuant to section 23 of Law 18,401, 2) staff costs reflect a minimal stable structure (3 Directors and 11 employees), 3) operation expenses, as well as staff costs, are the ones required to provide the necessary resources for attaining the strategic goals set, and 4) an item in connection with the estimated cost of organizing the 9th Meeting of the Regional Committee for Latin America (CRAL) in Punta del Este was included (COPAB was the institution hosting this event.)

Consequently, in 2012, the Budget draft for the 2013 fiscal year was formulated, which was approved by the Government pursuant to Decree 420/O12 dated 26 December 2012.

### 3.1.1 Agreements with BCU

The agreements with BCU regarding assistance by the Asset Management and IT Areas remained in force throughout the 2012 Fiscal Year. The Asset Management Area advises COPAB regarding foreign currency investments with FGDB resources. The IT Area provides COPAB with assistance regarding reception of information on deposits submitted on a monthly basis to COPAB by FGDB-contributing financial institutions, as well as on the administration of computer storage media used for managing the entities under liquidation transferred to COPAB.

### 3.1.2 Operation

The following are the main results achieved in connection with operating aspects:

- Implementation of corporate intranet, consistent with international trends on knowledge management and human capital;
- In the IT area, a new virtual server for bank resolution applications (liquidation of financial institutions), as well as different processes for improvement of information back-up systems, in order to enhance safety levels, were developed.

### 3.1.3 Human Resources

Initially, the Corporation employed BCU-seconded staff. This staff already performed the functions transferred pursuant to Law 18,401. Additionally, it became necessary to hire staff directly; the services of a specialized firm were thus required. The selection process was carried out by means of an open invitation to fill positions within the organization, aimed at hiring qualified staff with experience in this area, according to the Organization's principles and core values.

On 1 September 2011, after two years in service, five employees that were part of the BCU-seconded staff, made use of the option contemplated by Law 18,401 and became part of the Corporation's permanent staff, reserving their positions at BCU during a 3-year term. The same option was used on 12 March 2012 by another employee, assigned by BCU to work in COPAB as seconded staff. Consequently, by the end of 2012 only one BCU employee remains under the seconded staff regime: this person was assigned to the management of entities under liquidation transferred from BCU as from 16 December 2011.

Furthermore, we should note that on 11 October 2012, a Collective Bargaining Agreement was entered into between COPAB and the Association of Bank Employees of Uruguay, to regulate the Corporation's working regime. This agreement includes the Corporation in Group 14 "Financial Intermediation, Insurance and Pensions", Sub-Group 01 - "Banks and Other Financial Entities".

### 3.1.4 General Training

Consistent with the purpose of ensuring that the Corporation's staff remains updated and trained in the best practices, the following general training activities were undertaken during 2012:

- Regional Workshop on "Assessment of Core Principles for Effective Deposit Insurers", organized by the IADI and FOGAFIN (Guarantee Fund for Financial Institutions, Colombia), Bogotá, from 15 to 18 May 2012;
- Conference on "Methodology for the Assessment of Compliance with the Core Principles for Effective Deposit Insurance", organized by SEDESA (Seguro de Depósitos S.A.), Buenos Aires, 21 May 2012;
- Distance-Learning Course "Information Systems Security", Unit for Improvement and Updating of Graduates' Skills (UPAE), Facultad de Ciencias Económicas y Administración (School of Economics and Administration), Universidad de la República, 11 June - 8 July 2012;
- Conference on "Bank and Financial Secrecy and Anti-Money Laundering Regulations under Uruguayan Law and the Information Exchange and Double Taxation Agreement between Argentina and Uruguay", The Institute Global, Buenos Aires, 2 July 2012;

- Course on Money Laundering Prevention, UPAE, 20, 22 and 24 August 2012;
- Seminar on Information Security Management, organized by the Center for Latin American Monetary Studies (CEMLA), Buenos Aires, 20 and 21 September 2012.

As in the previous year, English language courses continued to be provided, given the importance of this language for all training events as well as for the exchange between different institutions and organizations. Several employees were able to take international English language examinations.

Furthermore, a Microsoft Office Upgrade course was conducted, with the participation of all members of the Corporation's staff.



### 3.1.5 Participation in International Events

One of IADI's organizational policies has been that of forming different Regional Committees, COPAB being part of the Regional Committee for Latin America (CRAL). As such, COPAB hosted the 9th Annual Meeting of the Regional Committee for Latin America.

This event was held on 21 and 22 March, at Conrad Hotel in Punta del Este, and was attended by representatives of CRAL Member States and of other Member States of IADI.

In this context, the Conference entitled "Current Strategies to Strengthen Financial System Stability" was held. The event was opened by Ms. Adela Hounie, President of COPAB, and by Mr. José Luis Ochoa, Executive Secretary of the Institute for the Protection of Bank Savings of Mexico (IPAB), and President of CRAL.

The following speakers participated at the Conference: Mario Bergara, President of BCU; Gregor C. Heinrich, Chief Representative, Bank for International Settlements; Jorge Ottavianelli, Superintendent of Financial Services, BCU; Mary Patricia Azevedo, Assistant Director of International Coordination of the Complex Financial Institutions Bureau, Federal Deposit Insurance Corporation (FDIC); Abraham Vela, Researching Specialist of the General Bureau of Financial Stability of the Bank of Mexico; Benito Solís, Member of the Board of Governors of IPAB; Keith Ligon, Chief of the Department of the Americas, International Coordination Group of the Complex Financial Institutions Bureau, FDIC; Jorge Polgar, Adviser of the Ministry of Economy and Finance of Uruguay; Carlos Isoard, Secretary General of the IADI.

Additionally, a panel discussion was organized with the participation of representatives from CRAL Member States, regarding these countries' perspective on the current changes within the regulatory framework for global financial stability, particularly, on their experience regarding the creation of Financial Stability Committees.

Additionally, the Corporation took part in the following events:

- "Global Standards for Risk Management and Regulation Conference, organized by the IRMC (International Risk Management Conference), Rome, 18 and 19 June 2012;
- Participation of the President in the official delegation to the Republic of Korea and Expo 2012 Yeosu, from 14 to 21 July 2012;
- 11th Annual Conference and Meeting of IADI, London, from 22 to 26 October 2012;
- President's Presentation at the International Seminar "Deposit Insurance: Challenges With Regard to the International Community", Quito, 12 to 15 November 2012.









# 3.2

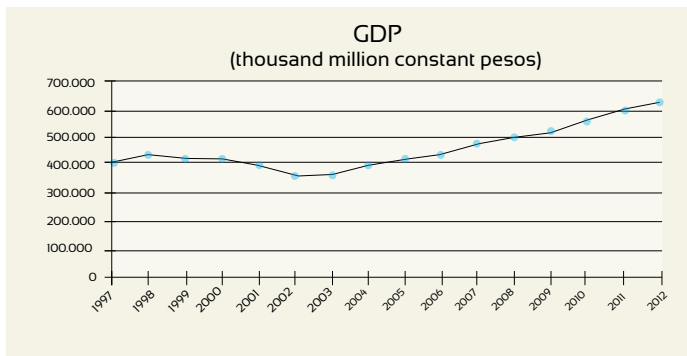
Managing the Deposit  
Insurance System

## 3.2. Managing the Deposit Insurance System

First we include a brief description of the Uruguayan banking system, as the framework of the SSD activities. Then, the evolution of the deposits included in the system, the FGDB, and other related variables are described.

### 3.2.1 Uruguayan Banking System

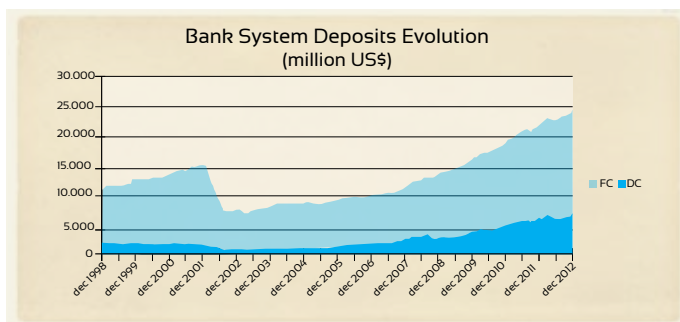
Uruguayan economy has undergone sustained growth in the course of the last years. GDP levels have largely surpassed those prior to the 2002 crisis, as it can be seen in the chart below:



\* Preliminary Data Source: BCU

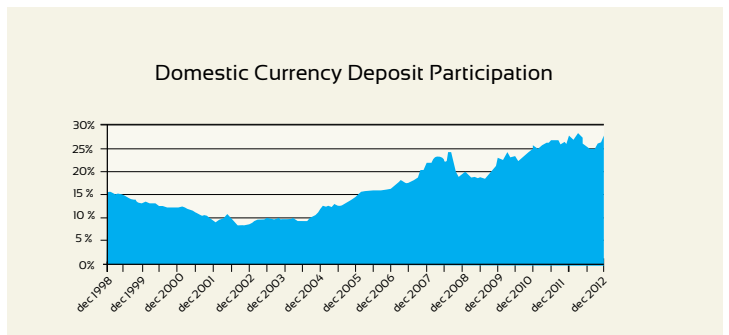
In 2012, the Gross Domestic Product itself grew 3.9%, only 0.1% below the expectations for that year, a dynamism that takes place in a context of great instability of the world economy and weakened currencies, while locally, there is strong pressure on price levels.

In this context, bank deposits, both in domestic and foreign currency, have also grown, reaching levels two thirds above the maximum levels prior to the 2002 crisis (measured in current dollars):



Source: BCU, deposits in the banking system of the private and public sectors (not including Central Government or Social Security Bank)

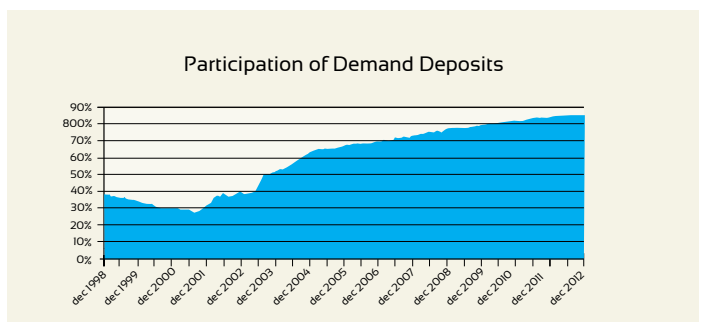
As far as deposits' denominated currency is concerned, there has been an increasing participation in domestic currency deposits, ranging from 9.2% in December 2001 up to 28% by the end of December 2012 (see chart below):



Source: BCU

This is explained by the interest rate and devaluation differential observed in the last years, which has resulted in bank deposits in dollars yielding negative real returns, as well as by official measures aimed at stimulating domestic currency deposits through the use of indexed units, or by means of greater insurance coverage for domestic currency deposits.

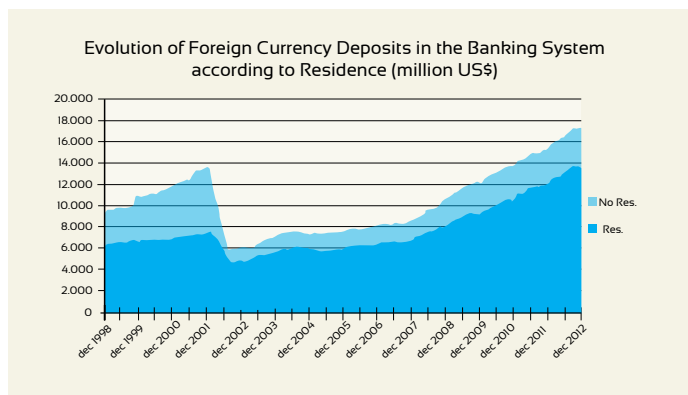
Another relevant aspect is the increased use of demand deposits, which represent, as at December 2012, 85 % of the total, as it can be seen in the chart below:



Source: BCU

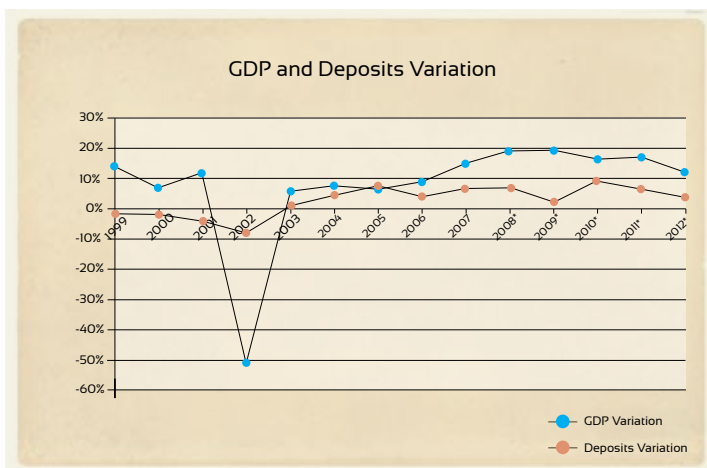
This important participation of demand deposits, which may be logical in crisis times, has remained, and even increased lately, despite the strength of domestic banking institutions. A possible factor influencing this situation could be the extremely low level of passive rates in the system (consistent with international rates).

Considering the factors contributing to greater volatility of the deposits within our system, non-resident deposits have decreased, from approximately 46% prior to the crisis (historically they represented a third of the total), to the current 20% figure. Most of these deposits are considered less stable since they include a provision component in the event of any problems arising in their countries of origin.



Source: BCU

Generally speaking, as it can be seen in the following chart, the number of deposits has grown at a higher rate than our economy, despite following a similar trend, having experienced a sharp decrease during the 2002 financial crisis.



\*Preliminary Data for PBI Series Source: BCU

Gathered data (Economic Expectations Survey- BCU) for 2013 suggest an economic growth scenario, which might lead to an increase in the number of deposits within the system.

### 3.2.2 Deposit Insurance System (SSD)

The SSD is funded by the Deposit Insurance Fund (FGDB), which is an independent and unseizable patrimony of affectation (patrimonio de afectación)<sup>2</sup>. The FGDB receives funds from the following sources: a) contributions made by banks and financial cooperatives; b) returns yielded by the respective placements; c) proceeds from loans; d) the Corporation's net profits; e) the preferred capital contributed by the Government; f) recovered payments with subrogation of guarantee when winding-up proceedings take place; and g) income arising from penalties and surcharges.

Pursuant to applicable legal regulations, the object of the FGDB is: a) to insure deposits of any nature, made by individuals or legal entities from the non-financial sector -with the exception of deposits made by the Central Government and the Social Security Bank- in banks and financial cooperatives; b) to contribute to the application of the Solution Procedures in the event of any crisis affecting contributing entities; and c) to provide the necessary funding for the Corporation's budget.

The Corporation's mandate is to manage the FGDB, that is, adequately manage its resources and the use thereof. The results of such management during the 2012 Fiscal Year, are described in the FGDB Financial Statements as at 31 December 2012, included in this Report.

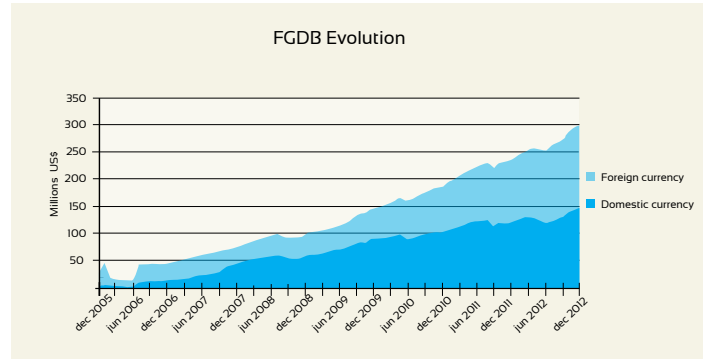
<sup>2</sup> The patrimony of affectation is a patrimony, or legal entitlement, that can be divided for a purpose, as being distinct from the general patrimony of the person. It is similar to the common law concept of the trust in some aspects. The property remains outside the patrimony of the grantor.

## 3.2. Managing the Deposit Insurance System



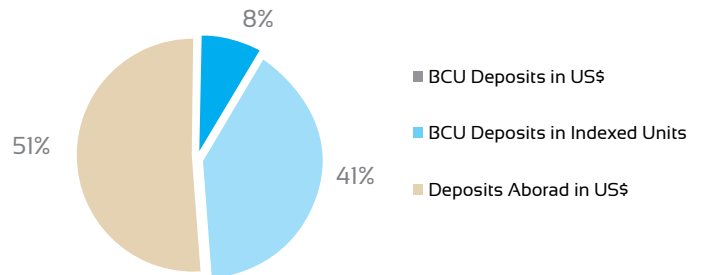
### 3.2.3 Liquid Assets and Investments

As at 31 December 2012 the available funds within the FGDB increased to US dollars 299.2 million. The chart below illustrates the evolution of the FGDB resources since the fund was created in November 2005 (in US million dollars).



FGDB Liquid Assets in domestic currency are placed in the Central Bank of Uruguay (approximately 49% of the total), while foreign currency liquid assets are placed in foreign financial institutions with the best risk rating.

**FGDB Composition December 2012**



## 3.2.4 Deposits Information System

In order to deal with the appropriate information required for providing coverage to insured deposits, within the amounts provided for by regulations in force, FGDB-contributing institutions submit, within the fifteen working days following each month's closing, an itemization of the deposits held in each of them. This information is received by the Financial Institutions' Deposits Information System (SIDIIF), which is being used since 2006 and is processed by BCU pursuant to the corresponding duly executed agreements. This system includes the necessary mechanisms to ensure strict confidentiality of all information on deposits' owners.

The SIDIIF submits on a monthly basis information on the amount of coverage that the FGDB should provide in case a financial institution is subject to a Bank Resolution Process. Moreover, this system includes an audit unit to monitor the quality of such information as regards compliance with COPAB regulations.

During this fiscal year, a process for monitoring the quality of the information submitted by each institution, by means of an in-situ audit process, has been initiated. The methodology and the main results obtained are analyzed in further detail under Subparagraph 3.2.7.

## 3.2.5 Deposits Information Summary

The next chart and graphs include the amounts of insured deposits<sup>3</sup> and the corresponding covered amount<sup>4</sup>, by currency and for the system in its entirety, at the closing date of each fiscal year:

Coverage to deposits included in the SSD (millions)											
	Domestic Currency					Foreign Currency in US\$			Total in US\$		
	Insured Deposits		Covered Amount		%	Insured Deposits	Covered Amount	%	Insured Deposits	Covered Amount	%
	\$	in US\$	\$	in US\$							
dec-06	33,582	1,376	17,420	714	52%	7,979	1,572	20%	9,355	2,286	24%
dec-07	60,228	2,801	25,031	1,164	42%	8,638	1,632	19%	11,440	2,796	24%
dec-08	71,876	2,952	30,977	1,272	43%	10,705	1,751	16%	13,657	3,023	22%
dec-09	76,192	3,882	36,020	1,835	47%	11,991	1,884	16%	15,873	3,719	23%
dec-10	93,298	4,643	46,009	2,290	49%	13,523	2,001	15%	18,166	4,291	24%
dec-11	117,396	5,900	56,385	2,834	48%	15,242	2,088	14%	21,142	4,922	23%
dec-12	127,318	6,563	64,164	3,308	50%	17,194	2,237	13%	23,757	5,545	23%

<sup>3</sup> Insured deposits: Deposits covered pursuant to section 31 of Law 18,401 dated 24 October 2008; that is, covered by the FGDB in the event of liquidation of the respective financial institution.

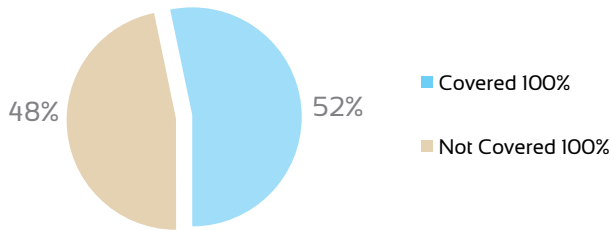
<sup>4</sup> Covered amount: The portion of the insured deposit to be reimbursed to depositors in the event of liquidation of the financial institution, pursuant to section 5 of Decree 103/005 dated 7 March 2005.

## 3.2. Managing the Deposit Insurance System

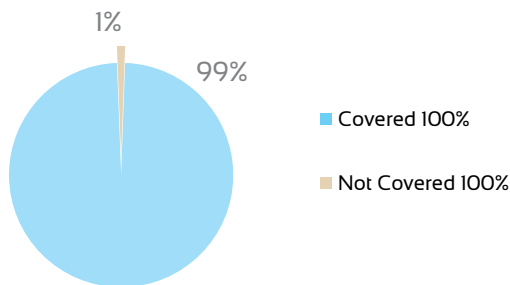
Another relevant aspect is that, according to the coverage limits in force and considering our system's deposit structure, there is a significant total coverage provided to depositors, which reaches 99% in the case of persons holding domestic currency deposits and 52% for foreign currency deposits.

### Percentage of Persons with Totally-Covered Deposits (December 2012)

#### FOREIGN CURRENCY



#### DOMESTIC CURRENCY



### 3.2.6 Determination of Contributions

Determination of annual contributions to be paid to FGDB by banks and financial cooperatives is made applying the rates arising from the regulations in force and the information periodically submitted to SIDIIF by the abovementioned institutions.

The fixed contribution is calculated by applying a rate on the annual average amount of all deposits of the non-financial sector (except the Central Government and Social Security Bank. Currently, this rate is 1‰ (annual) for domestic currency deposits and 2‰ (annual) for foreign currency deposits. The variable rate is additional to the fixed rate and is applied according to the risk category assigned to each institution following the Methodology defined by the Corporation, said rate being between 0 and 2% (annual).

### 3.2.7 In Situ Audits

In June 2012, SIDIIF in situ audits were initiated with the purpose of analyzing the quality of the information submitted to COPAB by financial institutions.

It was decided that, on a first stage, the audit would be carried out in 3 contributing institutions selected on account of the volume of their operations. Thus it was possible to test the procedures and systems applied, in order to correct any possible difficulties and make improvements aimed at adjusting the systems to larger and more complex institutions.

The audit process involves performing a preliminary control of the institutions in order to detect possible inconsistencies in the information submitted to SIDIIF on a monthly basis, then making a sampling, and finally conducting a physical inspection of the documentation kept in the audited institution.

The procedures applied allow to conclude that, so far, the quality of the audited information meets the requirements.

### 3.2.8 Risk Assessment

In order to conduct a permanent assessment of the risk affecting the strength and solvency of financial institutions, the Corporation applies the Risk Assessment Methodology defined in 2006, according to which each institution is assigned a particular risk category.

In order to strengthen the assessment of the risks affecting FGDB-contributing institutions, indicators continued to be developed through the incorporation of tools used throughout the different training stages as well as the best international practices and through periodical assessment reports. Therefore, an Early Alert System (SAT) was implemented to detect potentially problematic situations in FGDB-contributing institutions. Work is carried out on the basis of monthly information, by calculating a series of predetermined indicators for assessing activity level, portfolio quality, liquidity, profitability and solvency of FGDB-contributing financial institutions. This tool makes possible to analyze each financial institution's specific situation, and its evolution throughout time, as well as to have a general vision of the system.

### 3.2.9 Specific Training

Several training courses have been implemented in order to strengthen the capabilities of the Corporation's staff regarding SSD management, among them the following:

- Course on Panel Data, School of Social Sciences of the Universidad de la República, from 30 May to 13 July 2012;
- Participation in the 3rd Latin American Financial Education Congress held in Punta del Este, from 1 October to 3 October 2012;
- Course on Macroprudential Policies, organized by CEMLA in BCU, 8-12 October 2012

### 3.2.10 Public Awareness

All relevant information regarding the Deposit Insurance System and the Corporation (institutional information, transparency, regulations, financial statements, frequent questions featuring examples of depositor coverage, relationships with other related institutions and news, management of the Bank Assets Recovery Funds, and other information) can be found on [www.copab.org.uy](http://www.copab.org.uy).

During 2012, efforts have been made to improve the website, in order to make it friendlier in terms of access and navigation. At the same time, the Corporation has made it a priority to keep the website updated, in order to ensure that users have appropriate access to information.





The background features a series of concentric, curved lines in shades of light beige and cream, creating a sense of depth and movement. The lines are thicker and more prominent on the right side, tapering off towards the left.

# 3.3

Bank Resolution Process (PRB)

## 3.3 Bank Resolution Process (PRB)

Throughout 2012 the Corporation has carried out activities in connection with the strategic goals of the Bank Resolution Process. Different levels of progress were attained depending on the scope and complexity of each strategic goal.

### 3.3.1 Analysis of Legal and Regulatory Framework

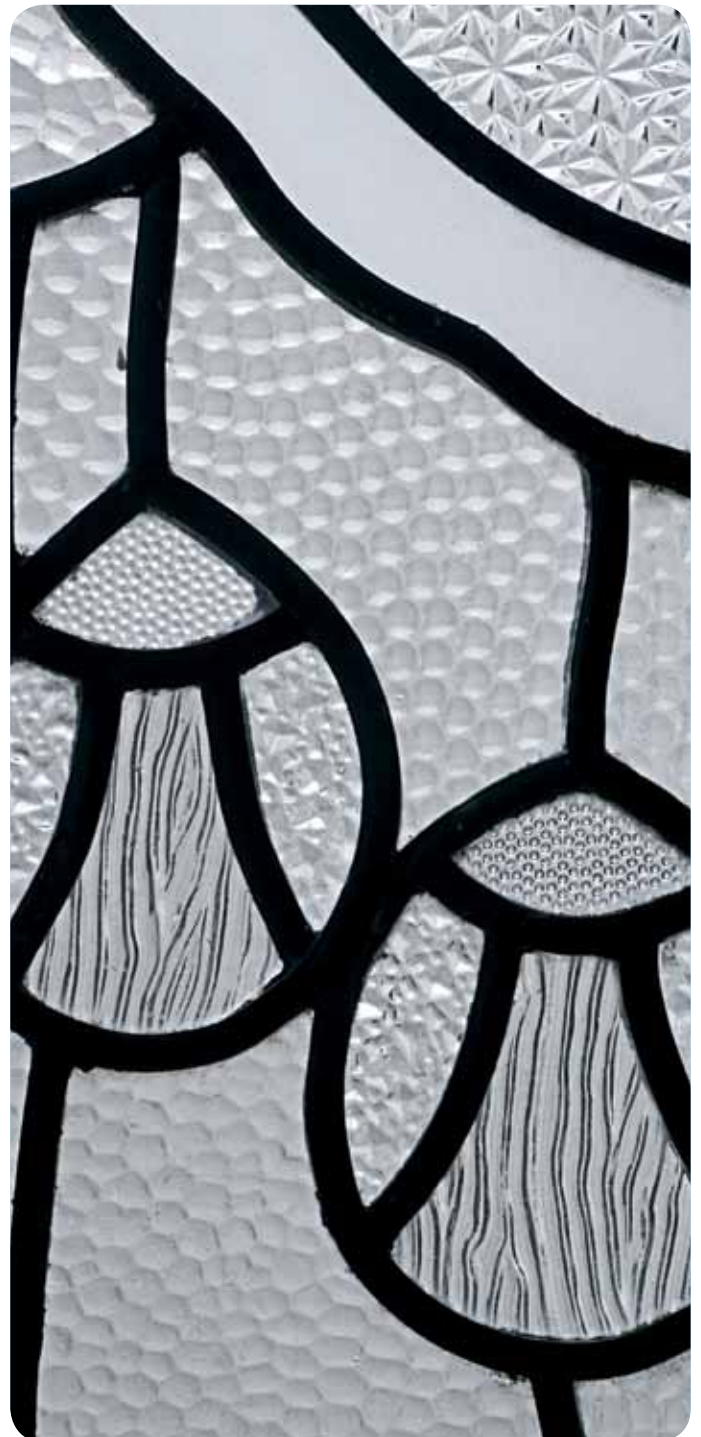
An analysis of legal and regulatory provisions regarding bank resolution has continued to be carried out, for which the advice of a Banking Law expert has been requested. As a result of this analysis, a document has been prepared, in which certain regulatory amendments are proposed. The amendments proposed will be submitted for analysis and assessment to the other members of the financial safety net (Central Bank of Uruguay and Financial Services Authority), as well as to the authorities of the Ministry of Economy and Finance.

### 3.3.2 Bank Resolution Operating Plan

Throughout this fiscal year, bank resolution operating plans have been developed jointly with a consultant from the US Treasury's Office of Technical Assistance (OTA).

### 3.3.3 Relationships with SSF and BCU

The Corporation has continued to work with SSF and BCU on a Memorandum of Understanding for coordination of action during a Bank Resolution Process. The purpose of such a memorandum is to create a coordinated action plan to facilitate communication and the execution of activities in a harmonized, consistent way between the parties, pursuant to their legal scope and public policy objectives, always within the context of members of the financial safety network.



### 3.3.4 Transfer of Ongoing Bank Liquidations

Pursuant to section 50 of Law 18,401 dated 24 October 2008, and within the framework of the related agreements on terms and conditions between BCU and COPAB, as from 16 December 2011 COPAB is responsible for managing the following institutions under liquidation:

Banco Comercial S.A. (under liquidation)  
 Banco de Montevideo S.A. (under liquidation)  
 Banco La Caja Obrera S.A. (under liquidation)  
 Banco Comercial S.A. Fondo de Recuperación de Patrimonio Bancario (Bank Assets Recovery Fund)  
 Banco de Montevideo S.A. Fondo de Recuperación de Patrimonio Bancario (Bank Assets Recovery Fund)  
 Banco La Caja Obrera S.A. Fondo de Recuperación de Patrimonio Bancario (Bank Assets Recovery Fund)  
 Comercial Administradora de Fondos de Inversión S.A.  
 BM Administradora de Fondos de Inversión S.A.

During 2012, COPAB, in its capacity as manager of the abovementioned liquidation cases, issued and carried out a management plan for realization of the remaining assets. As a result of this action, it was possible to:

- a) Resolve the dissolution and subsequent liquidation of Comercial Administradora de Fondos de Inversión S.A. The final liquidation took place on 31 October 2012, the outstanding liabilities to the shareholder having been cancelled, and no assets remaining in the Company;
- b) Comply with the conditions provided for by the Regulations of the Bank Assets Recovery Funds of Banco Comercial S.A., Banco de Montevideo S.A. and Banco La Caja Obrera S.A., in connection with the ten-year period for which they had been formed, and therefore, notify to the general public the dissolution and subsequent liquidation thereof as at 31 December 2012 (COPAB's Board of Directors Resolutions RD/43/2012, RD/44/2012 and RD/45/2012 dated 28 December 2012).

In the Notes attached to the Financial Statements for the fiscal year ended on 31 December 2012 of the abovementioned Bank Assets Recovery Funds, there is a detailed description of the activities developed throughout 2012.

### 3.3.5 Specific Training

- IADI/FSI Seminar on "Bank Resolution Current Developments, Challenges and Opportunities". Basel, Switzerland, 28-30 August 2012.





A large, bold, blue number '4' is centered on the page. The background features several concentric, curved bands in shades of beige and cream, creating a sense of depth and movement.

**FGDB - Financial Statements  
as at 31 December 2012**

**CPA-FERRERE**

**Mendiburu Battistessa Nelson, Cerisola Cardoso Andrés  
Miguel y Otros.**

**Av. L.A. de Herrera 1248 – World Trade Center, Torre B.  
Montevideo, Uruguay – CP 11300. Tel: (598) 2623 0000. Fax:  
(598) 2628 21 00.**

**www.cpa.com.uy**

**INDEPENDENT AUDITOR’S REPORT**

The Directors of the **BANK SAVINGS PROTECTION CORPORATION** (“*Corporación de Protección del Ahorro Bancario*”)

Dear Sirs,

We have audited the attached financial statements of the DEPOSIT INSURANCE FUND (hereinafter “FGDB” or “the Fund”), managed by the Bank Savings Protection Corporation (hereinafter “COPAB” or “the Corporation”), which include the Statement of Financial Position as at 31 December, 2012, the respective Profit and Loss Statement, Statement of Changes in Equity, and Source and Application of Funds Statement for the fiscal year ended on the abovementioned date, as well as the respective explanatory notes.

**Management’s Responsibility Regarding Financial Statements**

The Corporation’s Management is responsible for preparing and reasonably presenting the financial statements attached hereto, pursuant to the appropriate accounting standards and Ordinance N° 81 of the Court of Audit (“*Tribunal de Cuentas*”) of the Republic of Uruguay. This responsibility includes the design, implementation, and maintenance of an appropriate internal control system to ensure that financial statements are reasonably prepared and presented, and that they are free of significant mistakes caused by either fraud or error, the selection and application of appropriate accounting policies, and the preparation of reasonable accounting estimates according to the circumstances.

### **Auditor's Responsibility**

Our responsibility is to issue an opinion in connection with the abovementioned financial statements based on our audit. Our audit was carried out according to the international auditing standards issued by the International Federation of Accountants (IFAC). These standards require compliance with ethical requirements, as well as planning and auditing procedures required to obtain reasonable certainty that the financial statements are free of any significant mistakes.

An audit involves carrying out certain procedures in order to obtain audit evidence of financial statements' amounts and disclosures. The selected procedures depend on the Auditor's opinion, including the assessment of risks regarding the existence of significant mistakes in the financial statements, whether due to fraud or error. When assessing risks, the Auditor takes into consideration internal-control aspects deemed relevant for reasonably preparing and presenting the Fund's financial statements, in order to design audit procedures according to the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the corporation's internal control. An audit also implies assessing the degree of suitability of the accounting policies applied, and the reasonability of the accounting estimates issued by the Board of Directors, as well as assessing the general presentation of the financial statements.

We believe the evidence yielded by this audit provides a sufficient and appropriate basis to support our opinion.

### **Opinion**

In our opinion, the abovementioned financial statements reasonably present, in all material respects, the asset position of the DEPOSIT INSURANCE FUND as at 31 December 2012, the results of its operations, changes in equity, and source and application of funds for the

fiscal year ended on the abovementioned date, pursuant to the Appropriate Accounting Standards and Ordinance N° 81 of the Court of Audit of the Republic of Uruguay.

**Emphasis on issues not affecting our opinion**

As stated under Note 2.3, pursuant to Court of Audit Resolution dated 14 November 2012, Sections 9 and 14 of Ordinance No. 81 providing that financial statements should be stated in the domestic currency's purchasing power value as at the closing date of the fiscal year (for which purpose the methodology provided for under International Accounting Standard No. 29 was to be applied) were repealed. This policy was applied by the entity until the fiscal year ended on 31 December 2011. In view of the above, the entity has resolved, for the present fiscal year, to prepare its financial statements on the basis of historical costs, the figures restated as at 31 December 2011 being considered as the basis for the book-entry values of the items in their subsequent financial statements.

Montevideo, 15 March, 2013

CPA FERRERE

NELSON MENDIBURU. Partner. Public Accountant. University Graduates Retirement Fund N°: 42,226.

## **COURT OF AUDIT (*TRIBUNAL DE CUENTAS*)**

### **REPORT**

1. The Court of Audit has reviewed the financial statements of the Deposit Insurance Fund (*Fondo de Garantía de Depósitos Bancarios*) (FGDB), sent by the Bank Savings Protection Corporation (COPAB), which are attached hereto. Said statements include the Statement of Financial Position as at December 31, 2012, the respective Profit and Loss Statement, Cash Flow Statement, and Statement of Changes in Equity for the fiscal year ended on the abovementioned date, the Annexes and notes regarding significant accounting policies and other explanatory notes to the financial statements.

The Court of Audit has also audited the FGDB's compliance with legal regulations in force relating to the financial statements under review.

### **2. Board of Directors' Responsibility Regarding Financial Statements**

COPAB's Directors are responsible for preparing and reasonably presenting the FGDB's financial statements pursuant to the appropriate accounting standards and to Ordinance N° 81 of the Court of Audit. This responsibility includes the design, implementation, and maintenance of an appropriate internal control system for preparing and reasonably presenting financial statements free of significant mistakes, caused by either fraud or error. It also includes selecting and applying appropriate accounting policies and preparing reasonable accounting estimates according to the circumstances.

### **3. Auditor's Responsibility**

The Court of Audit's responsibility is to express an opinion regarding the abovementioned financial statements based on the conducted audit. This audit was carried out according to the Fundamental Auditing Principles (ISSAI 100, 200, 300 and 400) and the Financial Auditing Guidelines (ISSAI 1000 to 2999) issued by

the International Organization of Supreme Audit Institutions (INTOSAI). These standards require compliance with ethical requirements, as well as planning and auditing procedures required to obtain reasonable certainty that the financial statements are free of any significant mistakes.

An audit involves carrying out certain procedures to obtain evidence of accounting amounts and disclosures. The selected procedures depend on the Auditor's professional opinion, including the assessment of risks regarding the existence of significant mistakes in the financial statements, whether due to fraud or error. When assessing risks, the Auditor takes into consideration internal-control aspects of the entity deemed relevant for reasonably preparing and presenting the financial statements in order to design auditing procedures according to the circumstances, but not with the purpose of providing an opinion on the effectiveness of the entity's internal control. An audit also implies assessing the degree of suitability of the accounting policies applied, and the reasonability of the accounting estimates issued by the Board of Directors, as well as assessing the general presentation of the financial statements.

It is considered that the evidence yielded by this audit provides a sufficient and appropriate basis to support the opinion below.

#### **4. Opinion**

In the opinion of the Court of Audit, the abovementioned financial statements reasonably present, in all material respects, the financial position of the FGDB as at 31 December 2012, the results of its operations, and the cash flows corresponding to the Fiscal Year ended on that date, pursuant to the appropriate accounting standards and Ordinance N° 81 of the Court of Audit.

With respect to the legal and regulatory provisions governing the audited financial statements, no violations were observed.

Montevideo, 29 May 2013.

ELIZABETH M. CASTRO, Notary Public. GENERAL SECRETARY

**FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS  
(DEPOSIT INSURANCE FUND)**

**STATEMENT OF FINANCIAL POSITION (COMPARATIVE  
WITH PREVIOUS FISCAL YEAR) AS AT 31 DECEMBER 2012**

**(expressed in Uruguayan pesos)**

ASSETS	2012	2011*
<b>CURRENT ASSETS</b>		
Liquid Assets (Note 2.15)	26,204,634	4,252,629
Temporary Investments (Note 3.4.1)	5,801,264,358	4,715,599,137
<b>TOTAL CURRENT ASSETS</b>	<u><u>5,827,468,992</u></u>	<u><u>4,719,851,766</u></u>
<b>NON-CURRENT ASSETS</b>		
Long-term Investments (Note 3.4.2)	-	22,589,087
<b>TOTAL NON-CURRENT ASSETS</b>	<u><u>-</u></u>	<u><u>22,589,087</u></u>
<b>TOTAL ASSETS</b>	<u><u>5,827,468,992</u></u>	<u><u>4,742,440,853</u></u>

(\*) See Note 2.4

Notes 1 to 11 attached hereto are an integral part of the financial statements.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS  
(*DEPOSIT INSURANCE FUND*)

STATEMENT OF FINANCIAL POSITION (COMPARATIVE  
WITH PREVIOUS FISCAL YEAR) AS AT 31 DECEMBER 2012  
(expressed in Uruguayan pesos)

LIABILITIES	2012	2011*
CURRENT LIABILITIES		
Financial Debts (Note 3.4.3)	41,726,260	47,607,924
Miscellaneous Debts (Note 4)	3,601,005	3,938,410
<b>TOTAL CURRENT LIABILITIES</b>	<b>45,327,265</b>	<b>51,546,334</b>
NON CURRENT LIABILITIES		
Financial Debts (Note 3.4.4)	271,586,000	318,368,000
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>271,586,000</b>	<b>318,368,000</b>
<b>TOTAL LIABILITIES</b>	<b>316,913,265</b>	<b>369,914,334</b>
EQUITY		
Retained Earnings	4,372,526,519	3,687,384,814
Fiscal Year Earnings	1,138,029,208	685,141,705
<b>TOTAL EQUITY</b>	<b>5,510,555,727</b>	<b>4,372,526,519</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,827,468,992</b>	<b>4,742,440,853</b>

(\*) See Note 2.4

Notes 1 to 11 attached hereto are an integral part of the financial statements.

**FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS  
(DEPOSIT INSURANCE FUND)**

**PROFIT AND LOSS STATEMENT (COMPARATIVE WITH  
PREVIOUS FISCAL YEAR) AS AT 31 DECEMBER 2012  
(expressed in Uruguayan pesos)**

	2012	2011*
Contributions of Financial Institutions (Note 2.14)	991,163,125	805,863,268
<b>GROSS INCOME</b>	<b>991,163,125</b>	<b>805,863,268</b>
Administrative Expenses (Note 5)	(35,507,977)	(29,236,749)
<b>OPERATING INCOME</b>	<b>955,655,148</b>	<b>776,626,519</b>
Miscellaneous Income	(5,556)	(20,116)
Financial Income (Note 6)	182,379,616	(91,464,698)
<b>FISCAL YEAR EARNINGS</b>	<b>1,138,029,208</b>	<b>685,141,705</b>

(\*) See Note 2.4

Notes 1 to 11 attached hereto are an integral part of the financial statements.

**FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS  
(DEPOSIT INSURANCE FUND)**

**STATEMENT OF CHANGES IN EQUITY FOR THE FISCAL YEAR  
ENDED ON 31 DECEMBER 2012 (COMPARATIVE WITH  
PREVIOUS FISCAL YEAR)  
(expressed in Uruguayan pesos)**

	RETAINED EARNINGS	TOTAL EQUITY
<b>BALANCES AS AT 31 DECEMBER 2010</b>	<b>3,687,384,814</b>	<b>3,687,384,814</b>
Fiscal Year Earnings	685,141,705	685,141,705
<b>SUB TOTAL</b>	<b>685,141,705</b>	<b>685,141,705</b>
<b>BALANCES AS AT 31 DECEMBER 2011</b>		
Non-Assigned Earnings	4,372,526,519	4,372,526,519
<b>TOTAL*</b>	<b>4,372,526,519</b>	<b>4,372,526,519</b>
Fiscal Year Earnings	1,138,029,208	1,138,029,208
<b>SUB TOTAL</b>	<b>1,138,029,208</b>	<b>1,138,029,208</b>
<b>BALANCES AS AT 31 DECEMBER 2012</b>		
Non-Assigned Earnings	5,510,555,727	5,510,555,727
<b>TOTAL</b>	<b>5,510,555,727</b>	<b>5,510,555,727</b>

(\*) See Note 2.4

Notes 1 to 11 attached hereto are an integral part of the financial statements.

**FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS  
(DEPOSIT INSURANCE FUND)**

**SOURCE AND APPLICATION OF FUNDS STATEMENT FOR  
THE FISCAL YEAR ENDED ON 31 DECEMBER 2012  
(COMPARATIVE WITH PREVIOUS FISCAL YEAR)  
(expressed in Uruguayan pesos)**

	2012	2011*
<b>1.CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Fiscal Year Earnings	1,138,029,208	685,141,705
Plus / (Less) Items not representing fund movements		
Accrued and Non-Collected Interests	-	(859,618)
Accrued and Non-Paid Charges	2,654,226	7,161,317
Exchange Rate Differences and RDM /Inflation Exposure Results/	(113,855,920)	145,007,591
Changes in Assets and Liabilities		
Variation in operating liabilities	(337,405)	574,016
<b>Funds Applied In Operations</b>	<b>1,026,490,109</b>	<b>837,025,011</b>
<b>2. CASH FLOW ASSOCIATED WITH INVESTMENTS</b>		
Variation of Long-Term Investments	20,198,030	144,448,742
Collected Interests	3,169,289	22,051,852
<b>Funds Obtained From Investments</b>	<b>23,367,319</b>	<b>166,500,594</b>
<b>3. CASH FLOW ASSOCIATED WITH FUNDING</b>		
Payment of Financial Debts	(38,798,000)	(41,248,242)
Payment of Interest Charges	(7,537,890)	(14,364,580)
<b>Funds Applied to Funding</b>	<b>(46,335,890)</b>	<b>(55,612,822)</b>
<b>4. INCREASE OF NET CASH AND CASH EQUIVALENTS FLOW</b>		
	<b>1,003,521,538</b>	<b>947,912,783</b>
<b>5. INITIAL CASH AND CASH EQUIVALENTS BALANCE</b>		
	<b>4,719,851,766</b>	<b>3,955,043,138</b>
Exchange Rate Difference and RDM for cash and cash equivalents	104,095,688	(183,104,155)
<b>6. FINAL CASH AND CASH EQUIVALENTS BALANCE</b>		
	<b>5,827,468,992</b>	<b>4,719,851,766</b>

(\*) See Note 2.4

Notes 1 to 11 attached hereto are an integral part of the financial statements.

## NOTE 1 - LEGAL NATURE, REGULATORY FRAMEWORK AND OPERATIONAL CONTEXT

### 1.1 Legal Nature and Object of the Deposit Insurance Fund

Fondo de Garantía de Depósitos Bancarios (*Deposit Insurance Fund*) (FGDB) created pursuant to section 45 of Law 17,613 dated December 27, 2002, is an independent patrimony of affectation (“*patrimonio de afectación*”<sup>1</sup>) with no legal personality. The object of the FGDB is to insure the deposits of banks and financial cooperatives under the conditions provided for by the Law and its regulatory regime. Law 18,401 amends the Central Bank of Uruguay’s (BCU) Organic Chart and creates the Bank Savings Protection Corporation (*Corporación de Protección del Ahorro Bancario*) (COPAB) as a non-government-controlled entity governed by public law, one of the purposes of which is to manage the FGDB (which was formerly managed by BCU).

On 1 September 2009, the members of the Board of Directors of COPAB took office, and the Board became, as from said date, responsible for the management of the FGDB.

### 1.2 Deposit Insurance

Section 35 of Law 18,401 provides that in case any of the financial institutions contemplated by this Law is wound up, payment of a deposit insurance will correspond provided there has been no allocation of FGDB resources pursuant to one of the Solution Processes provided for by the same Law. Furthermore, this Law provides that COPAB will approve the regulations (within the framework established by the abovementioned Law) required in order to set the terms and conditions of the coverage to be provided by the FGDB to depositors.

Section 31 of the abovementioned Law states that the FGDB will insure deposits of any nature, made by individuals or legal entities from the non-financial sector -with the exception of any deposits made by the Central Government and the Social Security Bank /Banco de Previsión Social (BPS) - in any of the financial institutions referred to by section

---

<sup>1</sup> The patrimony of affectation is a patrimony, or legal entitlement, that can be divided for a purpose, as being distinct from the general patrimony of the person. It is similar to the common law concept of the trust in some aspects. The property remains outside the patrimony of the grantor.

17bis of Decree-Law 15,322 of 17 September 1982, as amended by section 2 of Law 16,327 of 11 November 1992 (banks and financial cooperatives).

Currently, the provisions of section 5 of Decree 103/005 of 7 March 2005 continue to apply, that is: the FGDB covers up to US\$ 5,000 (equivalent, as at 31 December 2011 to \$99,490) for the total amount of foreign currency deposits made by each individual or legal entity in each financial institution contemplated by this regime, and up to the equivalent of 250,000 Indexed Units (equivalent, as at 31 December 2012 to \$ 631,650) for the total amount of domestic currency deposits made by each individual or legal entity in each of said financial institutions.

### **1.3 Fund Resources**

Pursuant to section 46 of Law 17,613 and section 38 of Law 18,401, the FGDB will be formed with the following resources:

1. the contribution made by banks and financial cooperatives,
2. the proceeds and repayments of placements made by COPAB in pursuance of its legal object,
3. the proceeds of loans agreed by and between COPAB and any national, foreign, or international financial entity, in order to carry out its objectives, whether with Fund resources or in order to obtain such resources,
4. COPAB's net profits,
5. the preferred capital provided by the Government.

Section 4 of Decree 103/005 provides that the contribution from banks and financial cooperatives will be an annual 2‰ (two per mil) of the average amount of all foreign currency deposits kept in financial institutions during the previous calendar year, and an annual 1‰ (one per mil) of the total average domestic currency deposits on the same basis, upon deduction of the deposits excluded from the insurance benefit.

Section 47 of Law 17,613 and section 4 of Decree 103/005 provided that BCU was in charge of proposing to the Government a system for establishing specific contributions according to the financial institutions'

risk range. Decree 328/006 of 18 September 2006 set the rates for additional contributions, equal for each currency, for the different risk categories.

Therefore, during the 2006 fiscal year, a risk rating was assigned to each contributing financial institution, according to the Risk Range Categorization Method provided for by section 15 of the Bank Saving Protection Compiled Regulations, for the application of the varying rates to be paid in each half-year period.

The varying portion, applied both to deposits insured in domestic currency and deposits insured in foreign currency, is calculated according to the different risk categories defined, and the following rates:

- Risk I: 0‰ (zero per mil) annual
- Risk II: 0.5‰ (half per mil) annual
- Risk III: 1‰ (one per mil) annual
- Risk IV: 1.5‰ (one and a half per mil) annual
- Risk V: 2‰ (two per mil) annual

The abovementioned categories are reviewed on a half-yearly basis.

Section 39 of Law 18,401 provides that the contribution from banks and financial cooperatives will be set by COPAB, between 1‰ (one per mil) and 30 ‰ (thirty per mil) of the annual average of non-financial sector deposits excluding those deposits made by the Central Government and the Social Security Bank, according to the risk range to which each institution is exposed.

In connection with the above, the BCU Board of Directors resolved, on 26 December 2008 (D/702/2008), pursuant to sections 39 and 55 of Law 18,401, that, with respect to rates on insured deposits, the provisions of Decree 103/005 and 328/006 hereinabove would continue to apply. Furthermore, the Board resolved to set at an annual 1‰ (one per mil) the contribution rate applicable to non-financial sector non-insured deposits (excluding Central Government and Social Security Administration deposits) kept in each banking institution or financial

cooperative, whether in national or foreign currency. The additional rates provided for by Decree 328/006 according to each institution's risk ranges do not apply to these deposits.

Additionally, section 39 of Law 18,401 provides that, in case it is necessary to incur in certain relevant disbursements, COPAB may request contributing entities to pay the equivalent of up to three years of their contributions in advance, pursuant to the applicable regulation.

Contributions in the respective currencies will be suspended when the FGDB reaches the maximum amount specified in section 5 of Decree 328/006 dated 18 September 2006, and will be resumed when the fund goes below such maximum amount. This maximum amount is the equivalent to 5% of the total amount of secured deposits, both in national and foreign currency (See Note 8).

The abovementioned regulation regarding contributions paid by financial institutions is in full force and effect.

Section 11 of Decree 103/005 provides that, in order to facilitate the initial creation of the FGDB, the Government will pay in advance, as preferred capital, the maximum amount of US\$ 20,000,000, plus the maximum amount of US\$ 40,000,000 as a loan, which shall be determined by the Ministry of Economy and Finance (MEF). Said section further provides that the amounts actually paid in advance will be repaid out of FGDB resources, and under mutually-agreed conditions. (See Note 9)

#### **1.4 Approval of Financial Statements**

These financial statements have been prepared by COPAB staff and have been approved by the Board of Directors on 15 March, 2013.

### **NOTE 2 – MAIN ACCOUNTING POLICIES AND PRACTICES**

#### **2.1 Basis for the preparation of the Financial Statements**

These financial statements have been prepared according to the appropriate accounting standards used in Uruguay, and pursuant to Ordinance N° 81 of the Court of Audit of the Republic of Uruguay

(*Tribunal de Cuentas de la República Oriental del Uruguay*)(TCR). Said Ordinance establishes the following standards to be used by order of priority:

- a) TCR own standards,
- b) Decree N° 103/91 dated 27 February 1991,
- c) the International Accounting Standards adopted by IASB (International Accounting Standard Board)

The accounting standards have been prepared on the basis of historical costs.

## **2.2 Functional Currency**

The FGDB financial statements as at 31 December 2012 were prepared using the Uruguayan Peso as functional currency.

## **2.3 Permanence of Accounting Criteria**

Pursuant to Court of Audit Resolution dated 14 November 2012 (E.E. No. 2012-17-1-0001817 Ent. No. 352 with amendment 1/12 initiated), Sections 9 and 14 of Ordinance No. 81 providing that financial statements should be stated in the domestic currency's purchasing power value as at the closing date of the fiscal year (for which purpose the methodology provided for under International Accounting Standard No. 29 was to be applied) were repealed. This policy was applied by the entity until the fiscal year ended on 31 December 2011.

In view of the above, the entity has resolved to apply the new regulations approved by the Court of Audit, and has, therefore, ceased to restate its financial statements. Thus, the figures as at 31 December 2012 are reported at their historical costs.

The figures restated as at 31 December 2011 have been considered as the basis for the book-entry values of the items in their subsequent financial statements. Transactions recorded during this period were recorded at their historical cost.

Except as stated hereinabove, the accounting policies and criteria applied to the valuation of assets and liabilities, as well as to the recognition of the 2012 fiscal year's inflows and outflows, are similar to the criteria

applied during the previous fiscal year.

## 2.4 Comparative Information

The figures included in the financial position, profit and loss, source and application of funds, and changes in equity statements for the fiscal year ended on 31 December 2011, presented for comparative purposes, have been restated to the appropriate currency as at such date.

## 2.5 Foreign Currency and Indexed Units

Transactions in US dollars and in indexed units are translated into domestic currency using the exchange rates provided by the Central Bank of Uruguay's Exchange Rate Office as at the date of the transaction.

Assets and liabilities denominated in US\$ are translated into the domestic currency at the interbank Fund Average Dollar Rate provided by the Central Bank of Uruguay's Exchange Rate Office as at the fiscal year's closing date. Assets and liabilities in Indexed Units are translated into domestic currency using that currency's exchange rate as at the fiscal year closing date.

The following are the US dollar fund average exchange rate and Indexed Unit exchange rate with respect to the Uruguayan Peso, as at the closing of the financial statements.

Date	US Dollar Rate	Indexed Units Rate
December-11	19,898	2,3171
December-12	19,399	2,5266

## 2.6 Liquid Assets

Liquid Assets are reported at their denominational value, which does not differ from their reasonable value.

## 2.7 Investments

The FGDB classifies its investments, according to IAS 32 and 39, in the

following categories: investments at reasonable value with changes in results, held-to-maturity permanent investments, and available-for-sale investments. Classification depends on the purpose for which the investments were made. The FGDB determines the classification of its investments upon initial recognition thereof, and reconsiders the same on the closing date of each fiscal year.

**a) Investments at reasonable value with changes in results**

These are investments acquired for their sale in the short term, valued at their reasonable value; variations affecting reasonable values are recognized in profit and loss accounts.

**b) Held-to-Maturity Investments:**

These are fixed-maturity investments, which COPAB has the intention and financial capacity to hold until maturity. These are initially recognized at their reasonable value and throughout the period they are held they are valued at their amortized cost by applying the effective interest method, minus a provision for impairment, if applicable.

**c) Available-for-sale Investments**

These are assets that have not been classified in any of the previous categories. They are recognized at their reasonable value. Variations in such values are directly recognized in equity accounts under Adjustments to Equity. In the fiscal year wherein these investments are sold or their value undergoes depreciation, the total accumulated amount of the respective adjustments at reasonable value is recognized in the profit and loss statement.

Investments in effect as at 31 December 2011 and 31 December 2012 were classified as "held-to-maturity permanent investments".

## **2.8 Credits**

Credits are reported at their cost minus any loss for impairment.

The provision for bad debtors is recognized when there is objective evidence that the FGDB will not be able to collect all sums due pursuant to the originally agreed terms. The total amount of the provision is the difference between the assets' book value and the current value of

estimated future cash flows, discounted at the effective interest rate. The provision charge is recognized in the profit and loss statement.

As at 31 December 2012 and 31 December 2011, no provisions for bad debtors had been made, since there are no outstanding credits.

## **2.9 Impairment**

The accounting values of the FGDB assets are revised on the date of each financial statement to determine whether there is indication of impairment. If there is any indication of impairment, the asset's recoverable amount is estimated at the higher value between the sale net price and the use value. A loss for impairment is recognized in the Profit and Loss Statement when the accounting value of an asset or its cash-generating unit exceed its recoverable amount.

A loss for impairment is reversed, up to an amount not exceeding the accounting value that would have existed if the impairment had not been recognized, when subsequently there is an increase in the estimate of the recoverable amount.

From the revision made as at 31 December 2012 and as at 31 December 2011, no asset revealing indication of impairment was determined to exist.

## **2.10 Financial Debts**

Financial debts are reported at their amortized cost. Any difference between the cost and cancellation value thereof is recognized in the Profit and Loss Statement during the financing term, using effective interest rates.

## **2.11 Miscellaneous Debts**

Miscellaneous Debts are reported at their amortized cost.

## **2.12 Provisions**

Pursuant to section 35 of Law 18,401, following an order for the winding up of any of the entities covered by the FGDB, COPAB will immediately execute the guarantee this fund provides, provided the FGDB resources have not been allocated pursuant to one of the Solution Processes contemplated by the Law. Furthermore, said section provides

that COPAB will set the rules that, within the framework established by the Law, will provide for the terms and conditions of the coverage provided by the FGDB to depositors.

Consequently, the FGDB has an obligation to act as guarantor of deposits, in case any of the entities covered by the FGDB is wound up.

If, at the fiscal year closing, an order has been issued for the winding up of a FGDB-covered entity, a provision for coverage amounts payable, for the respective estimated total, will be recognized. This shall be calculated on the basis of data arising from COPAB's records, as at the last available date.

As at 31 December 2012 and 31 December 2011, no winding up had been ordered.

### **2.13 Equity**

Equity comprises Retained Earnings exclusively.

### **2.14 Earnings Determination**

The fiscal year earnings are the difference between the initial equity and the closing equity.

For income recognition and expense allocation, the accrual basis was applied.

Operating Income comprises contributions made by financial institutions pursuant to section 4 of Decree 103/005.

### **2.15 Definition of Funds**

For preparation of the Source and Application of Funds Statement, the combination of liquid assets and temporary investments with less than a year maturity were defined as funds.

The following is the itemization for cash and cash equivalents:

Item	December-12	December-11
Liquid Assets	26,204,634	4,252,629
Temporary Investments (Note 3.4.1)	5,801,264,358	4,715,599,137
<b>Total</b>	<b>5,827,468,992</b>	<b>4,719,851,766</b>

## 2.16 Use of accounting estimates

The preparation of financial statements as at a particular date requires estimates and assessments that affect the total amount of assets and liabilities recorded, and contingent assets and liabilities disclosed as at the date of these financial statements, as well as inflows and outflows recorded during the fiscal year.

Estimates are made to calculate provisions (among other estimates) at a particular time. Actual future earnings may differ from the estimates and assessments made as at the date of issue of these financial statements.

## NOTE 3 – FINANCIAL RISK MANAGEMENT

### 3.1 Relationship with the Central Bank of Uruguay

Pursuant to Resolution D/703/2005 dated 30 November 2005 approved by the Board of Directors of the Central Bank of Uruguay, the International Operations Department (*Área de Operaciones Internacionales*) (currently Asset Management Department [*Área de Gestión de Activos – AGA*]), was ordered to provide information on investment instruments available according to the objectives defined regarding placement of FGDB assets, as well as to assist in the execution of operations required to ensure effective placement of the abovementioned Fund's assets. Moreover, said resolution states that these services are to be provided pursuant to the terms, conditions and procedures established in the document entitled "Conditions for the Provision of Services" referred to in the abovementioned Resolution.

On 3 September 2009 COPAB entered into an agreement with BCU in order to continue receiving these services.

### **3.2 Criteria regarding risks to be assumed**

The Commission for the Protection of Bank Savings decided to implement the best options for investing cash, with the main purpose of ensuring capital preservation and maintenance of liquidity, while also ensuring reasonable returns.

The following guidelines were defined regarding the risks to be assumed. To this date, these guidelines continue to be in force:

*Credit Risk:* To be conservative with respect to the instruments' credit quality. The FGDB investments must be targeted towards the purchase of diversified investments with the best risk ratings.

*Liquidity Risk:* Accept liquid instruments, i.e., not subject to any loss or penalty charge on interests accrued due to early interruption.

*Interest Rate Risk:* Try to accumulate short-duration instruments, agreeing with the Asset Management Department on the terms and conditions for each time horizon.

### **3.3 Investments Management Policy**

The investments management policy guidelines (PAI) in force on 31 December 2009 are still applied.

This policy is based on:

1. Safe and liquid resources. Only if these goals are met, efforts are made in order to ensure maximum return.
2. Sufficient flexibility, to ensure fast and effective decision-making within control entities regarding purchase and sale of investments, in order to take full advantage of market opportunities.
3. PAI Dynamism to ensure that limits can be adjusted when there are sharp variations in key variables (i.e.: resource level, higher-risk insured deposits level, coverage payment, etc.)
4. Clearly-defined functions and responsibilities in the instances that form part of the FGDB resources management.

Currently, according to the agreement dated 3 September 2009, entered into between COPAB and BCU, the following guidelines apply:

“The BCU Economic Policy and Markets Management will provide professional, technical, and administrative assistance to COPAB, which shall encompass the following services:

- a) Information on available investment instruments, according to the objectives set by COPAB for placement of the portion in US dollars of the Deposit Insurance Fund (FGDB) and assistance in the execution of required operations for the effective implementation of said placements.
- b) Acceptance of the deposits required by COPAB, including determining the applicable interest rate in each case, according to the yield curves prepared by the Assets and Liabilities Management Area. In order to ensure the objectivity and transparency of the process to determine the rates according to which the deposits will be remunerated, the Assets and Liabilities Management Area shall make itself available to COPAB for consultation and to provide the corresponding information required by the Corporation.
- c) Early cancellation of the deposits mentioned in the previous paragraph, only in exceptional cases concerning obligations for the payment of FGDB coverages which could not be anticipated as at the date on which the deposit was made. This shall be duly notified in writing by COPAB to the appropriate department.

Early-cancelled deposits, on the exceptional grounds described hereinabove, will not be paid at the originally agreed rate, but at the rate arising from application of the yield curve prepared by the Assets and Liabilities Management Area used as at the date the deposit was made, but for the effective term thereof.

- d) Authorization to COPAB to intervene in calls for bids relating to debt instruments issued by the monetary authority on the primary securities market, and to participate in the facilities provided by BCU (such as overnight deposits in Uruguayan Pesos) under the same conditions in force available for financial institutions."

### **3.4 Itemization of Interest-accruing Financial Assets and Liabilities**

The itemization of interest-accruing financial assets and liabilities, their maturity date and their effective annual interest rates in Uruguayan Pesos,

is as follows:

### 3.4.1 Short-term Financial Assets

Short-term held-to-maturity Investments	December-12				December-11			
	Maturity Date	Capital Amount	Rate	Accrued Interests	Maturity Date	Capital Amount	Rate	Accrued Interests
Deposits in BCU in IU /Indexed Units/	31/01/2013	69,481,500	1.7500%	1,131,486	31/01/2012	71,250,825	0.8400%	555,281
Deposits in BCU in IU	28/02/2013	159,933,780	1.2400%	1,685,702	28/02/2012	52,922,564	4.0250%	11,140,284
Deposits in BCU in IU	28/02/2013	21,223,440	3.9560%	4,385,176	29/02/2012	102,575,700	0.3500%	305,163
Deposits in BCU in IU	29/03/2013	85,626,474	0.9800%	643,340	30/03/2012	45,646,870	0.7500%	261,519
Deposits in BCU in IU	30/04/2013	36,004,050	1.2300%	301,384	09/04/2012	12,164,775	4.1780%	2,599,476
Deposits in BCU in IU	31/05/2013	496,729,560	1.9700%	5,816,979	30/04/2012	66,848,335	0.5000%	228,398
Deposits in BCU in IU	28/06/2013	432,553,920	2.4000%	5,334,832	02/05/2012	19,463,640	3.9710%	3,880,542
Deposits in BCU in IU	31/07/2013	107,590,208	2.1000%	960,243	31/05/2012	87,354,670	0.9300%	482,926
Deposits in BCU in IU	30/08/2013	276,776,397	1.0900%	10,022,381	29/06/2012	368,187,190	1.5400%	2,898,042
Deposits in BCU in IU	30/09/2013	305,971,260	1.3600%	10,086,538	30/07/2012	59,167,149	3.9600%	11,085,371
Deposits in BCU in IU	31/10/2013	196,291,554	1.2300%	409,104	31/07/2012	292,719,243	2.0400%	2,571,051
Deposits in BCU in IU	29/11/2013	92,726,220	1.2000%	95,817	31/08/2012	119,458,091	1.7500%	708,453
Deposits in BCU in IU	30/12/2013	79,587,900	1.0700%	7,097	28/09/2012	237,502,750	1.7500%	1,062,165
					31/10/2012	272,259,250	1.7500%	807,324
					30/11/2012	167,526,330	1.7500%	252,453
					28/12/2012	83,879,020	1.7500%	4,077
Sub-total		<b>2,360,496,263</b>		<b>22,880,079</b>		<b>2,058,296,401</b>		<b>38,842,525</b>
Deposits in BCU in \$	03/01/2013	6,471,000	8.5000%	4,340	03/01/2011	3,437,000	6.0000%	747

Deposits in BCU in \$	31/01/2013	475,000,000	8.5000%	318,604	31/01/2011	329,000,000	6.0000%	71,462
<b>Sub-total</b>		<b>481,471,000</b>		<b>322,944</b>		<b>332,437,000</b>		<b>72,209</b>
Deposits in US\$ FLAR	31/01/2013	1,448,158,321	0.1600%	19,309	31/01/2011	1,155,658,009	0.2300%	2,569
Deposits in US\$ ZUERCHER	31/01/2013	1,487,889,164	0.2200%	27,278	31/01/2011	1,129,654,149	0.2900%	6,275
<b>Sub-total</b>		<b>2,936,047,485</b>		<b>46,587</b>		<b>2,285,312,158</b>		<b>8,844</b>
<b>Total</b>		<b>5,778,014,748</b>		<b>23,249,610</b>		<b>4,676,675,559</b>		<b>38,923,578</b>

### 3.4.2 Long-term Financial Assets

Long-term held-to-maturity investments	December-12				December-11			
	Maturity Date	Amount	Rate	Accrued interests	Maturity Date	Amount	Rate	Accrued interests
					28-02-2013	19,463,640	3.9560%	3,125,447
<b>Total</b>						<b>19,463,640</b>		<b>3,125,447</b>

### 3.4.3 Short-term Financial Liabilities

Item	December-12	December-11
Current Financial Debts with MEF	38,798,000	39,796,000
Accrued Interests*	2,928,260	7,811,924
<b>Total</b>	<b>41,726,260</b>	<b>47,607,924</b>

(\* See Note 9.

### 3.4.4 Long-term Financial Liabilities

Item	December-12	December-11
Non-Current Financial Debts with MEF	271,586,000	318,368,000
<b>Total</b>	<b>271,586,000</b>	<b>318,368,000</b>

### 3.5 Position in Foreign Currency and in Indexed Units

The following are the balances in foreign currency and in indexed units for assets and liabilities at each fiscal year closing date:

Item	December-12			December-11		
	US\$	IU	Total Equivalent in \$	US\$	IU	Total Equivalent in \$*
Liquid Assets	1,350,803		26,204,227	213,682	-	4,251,843
Temporary Investments	151,352,857	943,313,680	5,319,470,415	114,851,794	905,342,422	4,383,089,928
Total Current Assets	152,703,660	943,313,680	5,345,674,642	115,065,476	905,342,422	4,387,341,771
Long-term Investments		-	-	-	9,748,862	22,589,087
Total Non-Current Assets	-	-	-	-	9,748,862	22,589,087
<b>Total Assets</b>	<b>152,703,660</b>	<b>943,313,680</b>	<b>5,345,674,642</b>	<b>115,065,476</b>	<b>915,091,284</b>	<b>4,409,930,858</b>
Financial Debts	2,150,949		41,726,260	2,392,598	-	47,607,924
Total Current Liabilities	2,150,949	-	41,726,260	2,392,598	-	47,607,924
Financial Debts	14,000,000		271,586,000	16,000,000	-	318,368,000
Total Non-Current Liabilities	14,000,000	-	271,586,000	16,000,000	-	318,368,000

Total Liabilities	16,150,949	-	313,312,260	18,392,598	-	365,975,924
Net Position	136,552,711	943,313,680	5,032,362,382	96,672,878	915,091,284	4,043,954,934

### 3.5.1 Sensitivity Analysis

If, as at 31 December 2012, the local currency had depreciated 10% with respect to the US dollar, and the remaining variables had remained constant, earnings for this period would have increased by \$ 265 million approximately (as at 31 December 2011 they would have increased by \$ 192 million approximately), applying such exchange rate variation to the position in US dollars at each fiscal year's closing date. On the contrary, if it had appreciated 10% with respect to the US dollar, and the remaining variables had remained constant, earnings for this period would have decreased by \$ 265 million approximately as at 31 December 2012 (as at 31 December 2011 they would have decreased by \$ 192 million approximately).

### 3.6 Financial Liabilities Maturity Itemization

The itemization of financial debts, in Uruguayan Pesos, is as follows:

Item	December-12				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Preferred Capital Interests Provision*	2,928,260				2,928,260
Financial Debts with MEF*	38,798,000	77,596,000	77,596,000	116,394,000	310,384,000
Total	41,726,260	77,596,000	77,596,000	116,394,000	313,312,260

Item	December-11				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Preferred Capital Interests Provision*	7,811,924	-	-	-	7,811,924
Financial Debts with MEF*	39,796,000	79,592,000	79,592,000	159,184,000	358,164,000

(\* ) See note 9

### 3.7 Reasonable Value

Financial Assets and Liabilities accounting values do not differ significantly with respect to their reasonable values.

#### NOTE 4 - MISCELLANEOUS DEBTS

The itemization of miscellaneous debts at each fiscal year's closing date is as follows:

Item	December-12	December-11
Items to be repaid	-	16,299
Items to be transferred to COPAB	3,601,005	3,922,111
<b>Total</b>	<b>3,601,005</b>	<b>3,938,410</b>

#### NOTE 5 – ADMINISTRATIVE EXPENSES

Administrative expenses incurred by FGDB and transferred to COPAB are as follows:

Item	December-12	December-11
COPAB Expenses from Operations	35,507,977	29,236,749
<b>Total</b>	<b>35,507,977</b>	<b>29,236,749</b>

On September 1, 2009, COPAB was formed pursuant to Law N° 18,401. Section 23 of said Law states that the budget required for COPAB's operation is funded with FGDB resources. Consequently, administrative expenses charges correspond to remittances made from the FGDB to meet COPAB's expenses from operations.

Furthermore, as at August 31, 2009, the FGDB was only in charge of the remuneration of members of the FGDB Special Management Commission and of certain specific expenses. However, as from 1 September 2009, the FGDB finances all COPAB's budget including salaries, expenses, and investments.

#### **NOTE 6 – FINANCIAL EARNINGS**

Financial Earnings include interests earned by invested funds as per Notes 2.6, lost interests generated by the loan made by the Ministry of Economy and Finance as preferred capital, and exchange rate differences, according to the following itemization:

<b>Item</b>	<b>December-12</b>	<b>December-11</b>
Earned Interests	71,451,956	61,126,414
Lost Interests	(2,928,260)	(7,583,521)
Exchange Rate Difference (*)	113,855,920	(145,007,591)
<b>Financial Earnings</b>	<b>182,379,616</b>	<b>(91,464,698)</b>

(\*) The exchange rate difference as at 31 December 2011 includes the earnings arising from inflation on monetary assets and liabilities

#### **NOTE 7 – TAX REGIME**

The FGDB is an independent patrimony of affectation (“patrimonio de afectación”) with no legal personality. It does not carry out any activity subject to Internal Revenue Board taxes. Pursuant to section 26 of Law 18.401, COPAB and the FGDB are both exempt from all national taxes, even those contemplated by special laws, except for social security contributions.

#### **NOTE 8 - CONTINGENCIES**

Section 31 of Law 18.401 provides that the Fund will insure deposits of any nature, created by individuals or legal entities from the non-financial

sector -except deposits made by the Central Government and the Social Security Administration (BPS)- in financial institutions referred to by section 17 bis of Decree-Law 15,322, as amended by section 2 of Law 16,327 (banks and financial cooperatives).

Furthermore, pursuant to section 34 of the abovementioned Law, the maximum insured amounts will be set by creditor, by debtor, and by currency of the debt (national or foreign currency). Deposits made by an independent patrimony of affectation (“*patrimonio de afectación*”) with no legal personality are considered independent from any other net worth.

Currently, pursuant to section 5 of Decree 103/005, the FGDB insures deposits of up to US\$ 5,000 (equivalent, as at 31 December 2012 to \$96,995) for the total number of foreign currency deposits, and up to the equivalent of 250,000 Indexed Units (equivalent, as at 31 December 2012 to \$ 631,650) for the total number of domestic currency deposits made by each individual or legal entity in each financial institution.

According to the information provided by financial institutions as at 31 December 2012, included in the Financial Institutions Deposits Information System (SIDIIF), the insured amount totalizes:

Item	December-12	December-11
Domestic Currency Deposits Coverage	64,163,999,901	56,384,892,450
Foreign Currency Deposits Coverage (equivalent in Uruguayan Pesos)	43,387,089,303	41,555,412,738
Total Coverage (stated in \$)	107,551,089,204	97,940,305,188

Section 47 of Law 17.613, as amended by section 39 of Law 18.401, states that, upon COPAB's duly founded request, the Government will set the maximum amount of reserve for each currency in which FGDB deposits are to be held. Contributions in the respective currencies will be suspended when the FGDB reaches the maximum amount established for each currency, and will be resumed when the total deposits held by FGDB fall below the maximum amount.

Current maximum reserve amounts have been set according to Section 5 of Decree 328/006, and are equivalent to 5% of the total insured

deposits, both in national and foreign currency. Therefore, the comparison of the maximum limit stipulated by Law with the actual collected amount, yields the following result:

Item	December-12	December-11
Total Insured Deposits	460,865,507,173	420,689,989,657
Maximum Limit Decree N° 328/006 of 18 September 2006	23,043,275,359	21,034,499,483
Fund's Equity	5,510,555,727	4,372,526,519

In the event of coverage by the FGDB, available resources are as follows:

Item	December-12	December-11
FGDB Equity	5,510,555,727	4,372,526,519
MEF Preferred Capital	310,384,000	358,164,000
Facility agreed with MEF (Note 9)	775,960,000	795,920,000
Contributions of financial institutions corresponding to 3 years (estimated total)*	2,973,489,375	2,417,589,807
<b>Total available resources</b>	<b>9,570,389,102</b>	<b>7,944,200,326</b>

(\*) Section 39 of Law 18,401 provides that, in case it is necessary to incur in certain relevant disbursements, COPAB may request contributing entities to pay the equivalent of up to three years of their contributions in advance.

#### **NOTE 9 – AGREEMENT WITH THE MINISTRY OF ECONOMY AND FINANCE**

Section 11 of Decree 103/005 establishes that, in order to facilitate the initial formation of the Fund, the Government of Uruguay will advance a maximum amount of US\$ 20,000,000 as preferred capital, and a maximum amount of US\$ 40,000,000 (facility) as a loan, to be

determined by the MEF.

On 16 November 2005, the MEF contributed the amount of US\$ 20,000,000 as preferred capital, agreeing upon the return of such capital in ten annual consecutive installments once the Fund reaches 20% of the maximum amounts defined by section 9 of Decree 103/005. During the 2011 fiscal year this percentage was attained and the first capital installment was amortized for a total of US\$ 2,000,000. As at 31 December 2012 the respective capital balance pending amortization totalizes US\$ 16,000,000.

Within the framework of this agreement, the Ministry of Economy and Finance shall collect annual earnings arising from Fund applications, in proportion to their contribution.

On 17 December 2012 COPAB and the Ministry of Economy and Finance entered into an agreement regarding interests payments. This agreement provided that interests to be paid to the Ministry of Economy and Finance will be calculated as the product of interests earned by FGDB, net of expenses from operations, multiplied by the average interest of the Ministry of Economy and Finance contribution in FGDB.

**NOTE 10 – BALANCES AND TRANSACTIONS INVOLVING RELATED PARTIES**

Balances with related parties are balances existing with COPAB, the FGDB’s managing entity.

Said balances as at each fiscal year’s closing date, are as follows:

Item	December-12	December-11
Items to be Transferred to COPAB	3,601,005	3,922,111
COPAB Expenses from Operations	35,507,977	29,236,749
<b>Total</b>	<b>39,108,982</b>	<b>33,158,860</b>

## **NOTE 11 – SUBSEQUENT EVENTS**

There have been no subsequent events between 31 December 2012 and the date of approval of the current Financial Statements which could have caused any changes in such financial statements.



The background features a series of concentric, curved lines in shades of light beige and cream, creating a sense of depth and movement. The lines are thicker and more prominent on the right side, tapering off towards the left.

5

COPAB Financial Statements  
as at 31 December 2012

**CPA-FERRERE**

Mendiburu Battistessa Nelson, Cerisola Cardoso Andrés Miguel y Otros.  
Av. L.A. de Herrera 1248 – World Trade Center, Torre B. Montevideo,  
Uruguay – CP 11300. Tel: (598) 2623 0000. Fax: (598) 2628 21 00.  
www.cpa.com.uy

**INDEPENDENT AUDITOR'S REPORT**

The Directors of the **CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO** (***BANK SAVINGS PROTECTION CORPORATION***)

Dear Sirs,

We have audited the attached financial statements of the BANK SAVINGS PROTECTION CORPORATION (hereinafter “COPAB” or “the Corporation”), which include the Statement of Financial Position as at 31 December, 2012, the respective Profit and Loss Statement, Statement of Changes in Equity, Source and Application of Funds Statement, and Evolution of Fixed and Intangible Assets Chart, for the fiscal year ended on the abovementioned date, as well as the respective explanatory notes.

**Management's Responsibility Regarding Financial Statements**

The Corporation's Management is responsible for preparing and reasonably presenting the financial statements attached hereto, pursuant to the appropriate accounting standards and Ordinance N° 81 of the Court of Audit (“*Tribunal de Cuentas*”) of the Republic of Uruguay. This responsibility includes the design, implementation, and maintenance of an appropriate internal control system to ensure that financial statements are reasonably prepared and presented, and that they are free of significant mistakes caused by either fraud or error, the selection and application of appropriate accounting policies, and the preparation of reasonable accounting estimates according to the circumstances.

**Auditor's Responsibility**

Our responsibility is to issue an opinion in connection with the abovementioned financial statements based on our audit. Except as indicated in the paragraph relating to Issues Qualifying the Auditor's opinion, our audit was carried out according to the international auditing standards issued by the International Federation of Accountants (IFAC). These standards require compliance with ethical requirements, as well as planning and auditing procedures required to obtain reasonable certainty that the financial statements are free of any significant mistakes.

An audit involves carrying out certain procedures in order to obtain audit evidence in connection with financial statements' amounts and disclosures. The selected procedures depend on the Auditor's opinion, including the assessment of risks regarding the existence of significant mistakes in the financial statements, whether due to fraud or error. When assessing risks, the Auditor takes into consideration internal-control aspects deemed relevant for reasonably preparing and presenting the Corporation's financial statements in order to design audit procedures according to the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also implies assessing the degree of suitability of the accounting policies applied, and the reasonability of the accounting estimates issued by the Board of Directors, as well as assessing the general presentation of the financial statements.

We believe the evidence yielded by this audit provides a sufficient and appropriate basis to support our opinion.

#### **Matters Qualifying the Auditor's Opinion**

The instrument assigning responsibility over Institutions Under Liquidation formerly managed by the Central Bank of Uruguay (BCU) to COPAB was signed on 16 December, 2011. As from this date, management of these institutions is under COPAB's responsibility. As stated in Note 11, the

assets managed in connection with the abovementioned institutions as at 31 December 2012 totalize US\$ 14,244,505. We have not yet obtained an auditor's opinion regarding the financial statements of the managed institutions as at 31 December 2012.

**Opinion**

In our opinion, except for any amendments to the financial statements as a result of the situation previously described, the abovementioned financial statements reasonably present, in all material respects, the asset position of the BANK SAVINGS PROTECTION CORPORATION as at 31 December 2012, the results of its operations, changes in equity, and source and application of funds for the fiscal year ended on that date, pursuant to the Appropriate Accounting Standards and Ordinance N° 81 of the Court of Audit of the Republic of Uruguay.

**Emphasis on issues not affecting our opinion**

As stated under Note 2.3, pursuant to Court of Audit Resolution dated 14 November 2012, Sections 9 and 14 of Ordinance No. 81 providing that financial statements should be stated in the domestic currency's purchasing power value as at the closing date of the fiscal year (for which purpose the methodology provided for under International Accounting Standard No. 29 was to be applied) were repealed. This policy was applied by the entity until the fiscal year ended on 31 December 2011. In view of the above, the entity has resolved, for the present fiscal year, to prepare its financial statements on the basis of historical costs, the figures restated as at 31 December 2011 being considered as the basis for the book-entry values of the items in their subsequent financial statements.

Montevideo, 15 March, 2013

CPA FERRERE

NELSON MENDIBURU. Partner. Public Accountant. University Graduates Retirement Fund N°: 42,226.

## **COURT OF AUDIT (*TRIBUNAL DE CUENTAS*)**

### **REPORT**

1. The Court of Audit has reviewed the financial statements of Corporación de Protección del Ahorro Bancario (COPAB) (Bank Savings Protection Corporation), attached hereto. Said statements include the Statement of Financial Position as at 31 December 2012, the respective Profit and Loss Statement, Cash Flow Statement, and Statement of Changes in Equity for the fiscal year ended on the abovementioned date, the Annexes and relevant accounting policy notes, as well as other explanatory notes to the financial statements, and the Budget Execution Balance Sheet for 2012.

The Court of Audit has also audited COPAB's compliance with legal regulations in force relating to the financial statements under review.

### **2. Board of Directors' Responsibility Regarding Financial Statements**

COPAB's Directors are responsible for preparing and reasonably presenting these financial statements pursuant to the appropriate accounting standards, Ordinance N° 81 of the Court of Audit, and the TOCAF [Accounting and Financial Management Code], if applicable. This responsibility includes the design, implementation, and maintenance of an appropriate internal control system for preparing and reasonably presenting financial statements free of significant mistakes, caused by either fraud or error. It also includes selecting and applying appropriate accounting policies and preparing reasonable accounting estimates according to the circumstances.

### 3. Auditor's Responsibility

The Court of Audit's responsibility is to express an opinion regarding the abovementioned financial statements based on the conducted audit. This audit was carried out according to the Fundamental Auditing Principles (ISSAI 100, 200, 300 and 400) and the Financial Auditing Guidelines (ISSAI 1000 to 2999) issued by the International Organization of Supreme Audit Institutions (INTOSAI). These standards require compliance with ethical requirements, as well as planning and auditing procedures required to obtain reasonable certainty that the financial statements are free of any significant mistakes.

An audit involves carrying out certain procedures to obtain evidence of accounting amounts and disclosures. The selected procedures depend on the Auditor's professional opinion, including the assessment of risks regarding the existence of significant mistakes in the financial statements, whether due to fraud or error. When assessing risks, the Auditor takes into consideration internal-control aspects of the entity deemed relevant for reasonably preparing and presenting the financial statements in order to design auditing procedures according to the circumstances, but not with the purpose of providing an opinion on the effectiveness of the entity's internal control. An audit also implies assessing the degree of suitability of the accounting policies applied, and the reasonability of the accounting estimates issued by the Board of Directors, as well as assessing the general presentation of the financial statements.

It is considered that the evidence yielded by this audit provides a sufficient and appropriate basis to support the opinion below.

#### **4. Opinion**

In the opinion of the Court of Audit, the abovementioned financial statements reasonably present, in all material respects, the financial position of COPAB as at 31 December 2012, the results of its operations, and the cash flows corresponding to the Fiscal Year ended on that date, pursuant to the appropriate accounting standards and Ordinance N° 81 of the Court of Audit, and the respective budget execution for 2012, pursuant to the TOCAF and other applicable provisions.

With respect to the legal and regulatory provisions governing the audited financial statements, no violations were observed.

Montevideo, 18 June 2013.

ELIZABETH M. CASTRO, Notary Public. GENERAL SECRETARY

Siegbert Rippe, LL.D. PRESIDENT

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO  
(*BANK SAVINGS PROTECTION CORPORATION*)**

**STATEMENT OF FINANCIAL POSITION (COMPARATIVE  
WITH PREVIOUS FISCAL YEAR) AS AT 31 DECEMBER 2012**  
(expressed in Uruguayan pesos)

**ASSETS**

	2012	2011*
<b>Current Assets</b>		
Liquid Assets (Note 2.6)	918,359	592,014
Credits (Note 4)	4,041,815	3,950,250
<b>Total Current Assets</b>	<u><u>4,960,174</u></u>	<u><u>4,542,264</u></u>
<b>Non-current Assets</b>		
Long-term Credits (Note 4)	521,942	467,640
Fixed Assets and Intangible Assets	2,319,169	3,162,650
<b>Total Non-current Assets</b>	<u><u>2,841,111</u></u>	<u><u>3,630,290</u></u>
<b>TOTAL ASSETS</b>	<u><u>7,801,285</u></u>	<u><u>8,172,554</u></u>

(\*) See Note 2.4

Notes 1 to 12 attached hereto are an integral part of the financial statements.

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO  
(BANK SAVINGS PROTECTION CORPORATION)**

**STATEMENT OF FINANCIAL POSITION (COMPARATIVE  
WITH PREVIOUS FISCAL YEAR) AS AT 31 DECEMBER 2012**  
(expressed in Uruguayan pesos)

	2012	2011*
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Commercial Debts (Note 5)	569,709	997,371
Financial Debts	17,160	3,913
Miscellaneous Debts (Note 6)	4,373,304	3,540,979
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	<b>4,960,173</b>	<b>3,831,411</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total Liabilities</b>	<b>4,960,173</b>	<b>3,831,411</b>
 <b>EQUITY</b>		
Retained Earnings	3,630,291	3,933,509
Earnings of the Period	(789,179)	(303,218)
<b>TOTAL EQUITY</b>	<b>2,841,112</b>	<b>3,630,291</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7,801,285</b>	<b>8,172,554</b>

(\*) See Note 2.4

Notes 1 to 12 attached hereto are an integral part of the financial statements.

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO**  
**(*BANK SAVINGS PROTECTION CORPORATION*)**

**PROFIT AND LOSS STATEMENT (COMPARATIVE WITH  
PREVIOUS FISCAL YEAR) AS AT 31 DECEMBER 2012**

(expressed in Uruguayan pesos)

	2012	2011*
Contributions of the Deposit Insurance Fund (Note 1.2)	35,507,977	29,236,749
<b>GROSS INCOME</b>	<b>35,507,977</b>	<b>29,236,749</b>
ADMINISTRATIVE EXPENSES (Note 7)	(36,508,818)	(29,564,708)
<b>OPERATING INCOME</b>	<b>(1,000,841)</b>	<b>(327,959)</b>
FINANCIAL INCOME (Note 2.13)	67,777	24,741
MISCELLANEOUS INCOME	143,885	-
<b>FISCAL YEAR EARNINGS</b>	<b>(789,179)</b>	<b>(303,218)</b>

(\*) See Note 2.4

Notes 1 to 12 attached hereto are an integral part of the financial statements.

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO**  
**(*BANK SAVINGS PROTECTION CORPORATION*)**

**STATEMENT OF CHANGES IN EQUITY (COMPARATIVE**  
**WITH PREVIOUS FISCAL YEAR) AS AT 31 DECEMBER 2012**

(expressed in Uruguayan pesos)

	RETAINED EARNINGS	TOTAL EQUITY
<b>BALANCES AS AT 31 DECEMBER 2010</b>	<b>3,933,509</b>	<b>3,933,509</b>
Fiscal Year Earnings	(303,218)	(303,218)
<b>SUB-TOTAL</b>	<b>(303,218)</b>	<b>(303,218)</b>
<b>BALANCES AS AT 31 DECEMBER 2011</b>		
Non-Assigned Earnings	3,630,291	3,630,291
<b>TOTAL*</b>	<b>3,630,291</b>	<b>3,630,291</b>
Fiscal Year Earnings	(789,179)	(789,179)
<b>SUB-TOTAL</b>	<b>(789,179)</b>	<b>(789,179)</b>
<b>BALANCES AS AT 31 DECEMBER 2012</b>		
Non-Assigned Earnings	2,841,112	2,841,112
<b>TOTAL</b>	<b>2,841,112</b>	<b>2,841,112</b>

(\*) See Note 2.4

Notes 1 to 12 attached hereto are an integral part of the financial statements.

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO**  
**(BANK SAVINGS PROTECTION CORPORATION)**

**SOURCE AND APPLICATION OF FUNDS STATEMENT**  
**(COMPARATIVE WITH PREVIOUS FISCAL YEAR) AS AT 31**  
**DECEMBER 2012**

(expressed in Uruguayan pesos)

	2012	2011*
<b>1. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Fiscal Year Earnings</b>	(789,179)	(303,218)
Plus / (Less) Items not representing fund flows		
Amortization of fixed and intangible assets	863,743	886,320
Exchange Rate Differences and RDM / Inflation Exposure Results/	(67,790)	82,068
Changes in Assets and Liabilities		
Variation in operating assets	(91,566)	(597,468)
Variation in operating liabilities	417,910	710,851
<b>Funds Applied In Operations</b>	<b>333,118</b>	<b>778,553</b>
<b>2. CASH FLOW ASSOCIATED WITH INVESTMENTS</b>		
Payments for purchase of fixed and intangible assets	(20,261)	(567,176)
<b>Funds Applied to Investments</b>	<b>(20,261)</b>	<b>(567,176)</b>
<b>3. CASH FLOW ASSOCIATED WITH FUNDING</b>	-	-
<b>4. INCREASE (DECREASE) OF NET CASH FLOW</b>	<b>312,857</b>	<b>211,377</b>
<b>5. INITIAL CASH FLOW</b>	<b>592,014</b>	<b>478,632</b>
Exchange Rate Difference and RDM for cash and cash equivalents	13,488	(97,995)
<b>6. FINAL CASH BALANCE</b>	<b>918,359</b>	<b>592,014</b>

(\*) See Note 2.4

Notes 1 to 12 attached hereto are an integral part of the financial statements.

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO  
(BANK SAVINGS PROTECTION CORPORATION)**

**FIXED AND INTANGIBLE ASSETS CHART FOR THE FISCAL  
YEAR ENDED ON 31 DECEMBER 2012 (COMPARATIVE WITH  
PREVIOUS FISCAL YEAR)**

(expressed in Uruguayan pesos)

MAIN ACCOUNT	2012							2011*	
	INITIAL VALUE	INCREASES	CLOSING VALUE	RETAINED AT BEGINNING	FISCAL YEAR	DEPRECIATIONS	RETAINED AT CLOSING	NET VALUE AT CLOSING	NET VALUE AT CLOSING
Improvements to leased real property	1,495,249	-	1,495,249	353,254	326,284		679,538	815,711	1,141,995
Office Furniture	854,809	15,600	870,409	295,167	173,822		468,989	401,420	559,642
Equipment	1,411,528	4,661	1,416,189	260,017	283,160		543,177	873,012	1,151,511
Software	402,383	-	402,383	92,881	80,477		173,357	229,026	309,502
<b>TOTAL 2012</b>	<b>4,163,969</b>	<b>20,261</b>	<b>4,184,230</b>	<b>1,001,319</b>	<b>863,743</b>		<b>1,865,061</b>	<b>2,319,169</b>	<b>3,162,650</b>
<b>TOTAL 2011</b>	<b>3,596,793</b>	<b>567,176</b>	<b>4,163,969</b>	<b>114,999</b>	<b>886,320</b>		<b>1,001,319</b>	<b>3,162,650</b>	

(\*) See Note 2.4

Notes 1 to 12 attached hereto are an integral part of the financial statements.

## **CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO (*BANK SAVINGS PROTECTION CORPORATION*)**

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

(stated in Uruguayan Pesos)

### **NOTE 1-LEGAL NATURE, REGULATORY FRAMEWORK AND OPERATIONAL CONTEXT**

#### **1.1 Legal Nature and Object.**

Corporación de Protección del Ahorro Bancario (COPAB) (Bank Savings Protection Corporation) is a non-government-controlled legal entity ruled by public law created pursuant to Law 18.401 dated 24 October 2008, Section 14.

Its object is: A) To promote the protection of bank savings in financial institutions B) To manage the resources of the Deposit Insurance Fund (FGDB) and C) To act as administrative receiver of the entities belonging to the financial system and their respective collateral entities (Section 15, Law N° 18.401).

Pursuant to Section 50 of Law 18,401, the Central Bank of Uruguay (BCU) and COPAB agreed upon the terms and conditions for the transfer of the Financial Institutions under liquidation. The respective transfer instrument was signed on 16 December 2011. The same provides for the transfer of responsibility over the following liquidation cases: Banco Comercial Fondo de Recuperación de Patrimonio Bancario, Banco de Montevideo Fondo de Recuperación de Patrimonio Bancario, Banco La Caja Obrera Fondo de Recuperación de Patrimonio Bancario, Banco Comercial S.A. (under liquidation), Banco de Montevideo S.A. (under liquidation), Banco La Caja Obrera S.A. (under liquidation), Comercial AFISA and BM Fondos AFISA. As from the abovementioned date, management of these entities is under the responsibility of COPAB (See Note 11).

COPAB's Direction and Top Management functions are exercised by a Board of Directors comprising a President, a Vice President, and a Director appointed by the Government, with the approval of the Senate (section 17, Law 18,401).

COPAB is represented by its President, assisted by the Manager or by an Assistant Manager, pursuant to section 22 of Law 18,401 and the resolutions of the Board of Directors of COPAB (Resolution 15/2010 dated 23 March 2010). In absence of the President, this office will be temporarily filled by the Vice President (Section 20, Law 18,401).

## **1.2 Resources and Expenses**

COPAB's budget for salaries, expenses and investments is issued and approved pursuant to section 23 of Law 18.401, and is funded by the Deposit Insurance Fund (FGDB).

Pursuant to the regulations in force, the 2012 budget was approved by the Government (Decree 467/2011 dated 27 December 2011).

## **1.3 Approval of Financial Statements**

These financial statements have been prepared by COPAB staff and have been approved by the Board of Directors on 15 March, 2013.

## **NOTE 2 – MAIN ACCOUNTING POLICIES AND PRACTICES**

### **2.1 Basis for the preparation of the Financial Statements**

These financial statements have been prepared according to the appropriate accounting standards used in Uruguay and pursuant to Ordinance N° 81 of the Court of Audit of the Republic of Uruguay (*Tribunal de Cuentas de la República Oriental del Uruguay*) (TCR). Said Ordinance establishes the following standards, to be used by order of priority:

- a) TCR own standards,
- b) Decree 103/91 dated 27 February 1991,
- c) the International Accounting Standards adopted by IASB

(International Accounting Standard Board)

The accounting standards have been prepared on the basis of historical costs.

## **2.2 Functional Currency**

COPAB's financial statements as at 31 December 2012 have been prepared using the Uruguayan Peso as functional currency.

## **2.3 Permanence of Accounting Criteria**

Pursuant to Court of Audit Resolution dated 14 November 2012 (E.E. No. 2012-17-1-0001817 Ent. No. 352 with amendment 1/12 initiated), Sections 9 and 14 of Ordinance No. 81 providing that financial statements should be stated in the domestic currency's purchasing power value as at the closing date of the fiscal year (for which purpose the methodology provided for under International Accounting Standard No. 29 was to be applied) were repealed. This policy was applied by the entity until the fiscal year ended on 31 December 2011.

In view of the above, the entity has resolved to apply the new regulations approved by the Court of Audit, and has, therefore, ceased to restate its financial statements, for which reason the figures as at 31 December 2012 are reported at their historical costs.

The figures restated as at 31 December 2011 have been considered as the basis for the book-entry values of the items in their subsequent financial statements. Transactions recorded during this period were recorded at their historical cost.

Except as stated hereinabove, the accounting policies and criteria applied to the valuation of assets and liabilities, as well as to the recognition of the 2012 fiscal year's inflows and outflows, are similar to the criteria applied during the previous fiscal year.

## 2.4 Comparative Information

The figures included in the financial position, profit and loss, source and application of funds, and changes in equity statements for the fiscal year ended on 31 December 2011, presented for comparative purposes, have been restated to the appropriate currency as at such date.

## 2.5 Foreign Currency

Transactions in foreign currencies are translated into domestic currency using the exchange rates provided by the Central Bank of Uruguay's Exchange Rate Office as at the date of the transaction.

Assets and liabilities denominated in US\$ are translated into the domestic currency at the interbank Fund Average Dollar Rate provided by the Central Bank of Uruguay's Exchange Rate Office as at the fiscal year's closing date.

The following is the average Fund US dollar rate with respect to the Uruguayan Peso, as at the closing of the financial statements.

Date	US\$
December-11	19.898
December-12	19.399

## 2.6 Liquid Assets

Liquid Assets are reported at their denominational value, which does not differ from their reasonable value. They correspond to Fixed Fund's balances and BCU and BROU (Banco de la República Oriental del Uruguay) accounts, according to the following itemization:

Account	December-12			December-11		
	\$	US\$	Total in \$	\$	US\$	Total in \$
Fixed Fund	30,000	500	39,700	30,000	500	39,950
BCU	1,669	16,353	318,907	85,653	13,468	353,642
BROU	458,922	5,198	559,752	162,701	1,795	198,422
<b>Total</b>	<b>490,591</b>	<b>22,051</b>	<b>918,359</b>	<b>278,354</b>	<b>15,763</b>	<b>592,014</b>

Credits are reported at their cost minus any loss for impairment.

The provision for bad debtors is entered when there is objective evidence it will not be possible to collect all sums due pursuant to the originally agreed terms. The total amount of the provision is the difference between the assets' book value and current value of estimated future cash flows, discounted at the effective interest rate. The provision charge is recognized in the Profit and Loss Statement.

As at 31 December 2012 and 31 December 2011, no provisions for bad debtors had been made, since there was no objective evidence of the existence of any uncollectable sums.

## 2.7. Fixed and Intangible Assets

Fixed and Intangible Assets acquired prior to 31 December 2011 are recorded by the acquisition value thereof, restated to 31 December 2011 currency, by applying the Consumer Price Index (CPI) variation. Fixed and Intangible Assets acquired after 31 December 2011 are recorded by the acquisition value thereof.

Amortization is calculated as from one month following the date of incorporation of the respective assets, at constant rates, based on the useful life estimated for the different items, according to the following itemization:

Item	Useful Life in Years
Furniture and Fixtures	5
Equipment	5
Intangible Assets	5

The useful life of the improvements made to leased property is defined as the shortest period between 5 years and the remaining term of the respective lease agreement.

## 2.8. Impairment

The accounting values of the assets are revised on the date of each accounting statement to determine whether there is indication of impairment. If there is any indication of impairment, the asset's recoverable amount is estimated at the higher value between the sale net

price and the use value. A loss for impairment is recognized in the Profit and Loss Statement when the accounting value of an asset or its cash-generating unit exceed its recoverable amount.

A loss for impairment is reversed, up to the corresponding accounting value that would have been reached if the impairment had not been recognized, whenever there is a subsequent increase in the estimate of the recoverable amount.

As at 31 December 2012 and 31 December 2011, no assets revealing indication of impairment were determined.

## **2.9 Commercial and Miscellaneous Debts**

Commercial and miscellaneous debts are recognized at their amortized cost, any difference between the cost and their cancellation value being recognized in the Profit and Loss Statement for the term of duration of the debt, using effective interest rates.

## **2.10 Provisions**

Provisions required to meet any labor or tax-related obligations, or any other potential obligations, are made at the end of the fiscal year.

## **2.11 Equity**

Equity comprises only Retained Earnings.

## **2.12 Earnings Determination**

The fiscal year earnings are the difference between the initial equity and the closing equity.

For income recognition and cost and expense allocation the accrual basis was applied.

Operating Income comprises only FGDB contributions pursuant to section 23 of Law 18,401.

Financial income includes exchange rate differences.

Contributions received from the FGDB and included in the Profit and Loss Statement (Operating Income) finance both administrative expenses disclosed in said Statement and purchases of goods disclosed in the Statement of Financial Position's Fixed Assets Chapter.

### 2.13 Definition of Funds

For preparing the Source and Application of Funds Statement, the total liquid assets were defined as funds.

As at 31 December 2012, liquid assets amounted to \$ 918,360 and as at 31 December 2011, to \$ 592,014.

### 2.14 Use of accounting estimates

Preparation of financial statements as at a particular date requires estimates and assessments affecting the amount of recorded and contingent assets and liabilities disclosed as at the date of these financial statements, as well as the inflows and outflows recorded during the fiscal year.

Actual future earnings may differ from estimates and assessments made as at the date these financial statements were prepared.

## NOTE 3 – FOREIGN CURRENCY POSITION

Foreign currency balances at the closing date of each fiscal year are as follows:

Item	December-12		December-11	
	US\$	Equivalent in \$	US\$	Equivalent in \$
Liquid Assets	22,051	427,767	15,763	313,652
Total Current Assets	22,051	427,767	15,763	313,652
<b>Total Assets</b>	<b>22,051</b>	<b>427,767</b>	<b>15,763</b>	<b>313,652</b>
VISA payable	762	14,774		
<b>Total Liabilities</b>	<b>762</b>	<b>14,774</b>	-	-
<b>Net Position</b>	<b>21,289</b>	<b>412,993</b>	<b>15,763</b>	<b>313,652</b>

## NOTE 4 – CREDITS

The following credits in Uruguayan Pesos are included under Current Assets:

Account	December-12	December-11
Miscellaneous Credits	229,198	-
Items to be Received from the FGDB	3,601,005	3,922,111
AFISA [Investment Fund Managing Corporations] Items to be Recovered	-	10,988
FRPB [Bank Assets Recovery Funds] Items to be Recovered	211,612	17,151
<b>Total</b>	<b>4,041,815</b>	<b>3,950,250</b>

AFISA Items to be Recovered correspond to AFISA's taxes paid by COPAB. FRPB (FRPB stands for "Bank Assets Recovery Funds") Items to be recovered correspond to salary costs in connection with such funds, paid by COPAB. As at the date of these financial statements these items have already been collected by COPAB.

Non-current Assets include under Long-Term Credits the deposit made in BHU /State Mortgage Bank/ as guarantee for the lease of the Head Office. This deposit is denominated in Re-adjustable Rent Units (UAR). The UAR value as at 31 December 2012 is \$ 17,0301 (as at 31 December 2011 it was \$ 15,2583 per each UAR).

Account	December-12	December-11
Lease Guarantee Deposit	521,942	467,640
		-
<b>Total</b>	<b>521,942</b>	<b>467,640</b>

## NOTE 5 – COMMERCIAL DEBTS

Commercial debts correspond to obligations arising from hiring of professional services and miscellaneous several services, as per the following itemization:

Account	December-12	December-11
Professional Fees Payable	406,045	393,806
Publications Payable	-	224,846

BCU Operational Agreement Payable	-	106,950
Services rendered by BCU Payable	-	69,463
Maintenance of Deposit System Payable	68,879	63,780
Training Payable	-	33,720
Fixed Fund Replenishment Payable	-	23,574
Condominium Expenses Payable	26,376	22,737
Cleaning Services Payable	21,483	18,279
Internet Services Payable	10,320	14,013
Electricity Bills Payable	10,985	10,514
Fixed Telephone Bills Payable	8,848	6,483
Website Services Payable	2,395	-
Other Miscellaneous Services Payable	14,378	9,206
<b>Total</b>	<b>569,709</b>	<b>997,371</b>

#### NOTE 6 – MISCELLANEOUS DEBTS

Miscellaneous debts correspond to obligations arising from staff costs and other provisions as per the following itemization:

Account	December-12	December-11
Tax Creditors	394,577	260,236
Social Security Creditors	1,354,982	1,016,974
Creditors for Withheld Amounts	-	49,062
Labor Provisions	2,585,924	2,214,707
Tickets Payable	37,821	-
<b>Total</b>	<b>4,373,304</b>	<b>3,540,979</b>

#### NOTE 7 – ADMINISTRATIVE EXPENSES

Administrative expenses include the following items:

Account	December-12	December-11
Staff Remuneration	20,564,751	15,404,873
Social Security Charges	7,262,373	5,407,217
Training	717,147	733,935
Head Office Refurbishing	-	9,264

General Operating Expenses	222,532	471,001
Hired Services	6,878,271	6,652,098
Fixed Asset Amortizations	783,266	793,440
Intangible Asset Amortizations	80,478	92,880
<b>Total</b>	<b>36,508,818</b>	<b>29,564,708</b>

The payroll of COPAB in 2012 included in the approved Budget comprises: three members of the Board of Directors (President, Vice President, and Director), one Manager, two Assistant Managers, a First Technician, three Second Technicians, an Administrative Secretary, an Administrative Officer and a Lawyer.

This payroll also includes an officer of the Central Bank of Uruguay seconded to COPAB pursuant to Section 54 of Law 18,401. This officer filled the position of Assistant Manager during 2012.

On 1 April 2012, pursuant to Section 54 of Law 18,401, the term of the Assistant Manager as a seconded officer expired. He chose to remain at COPAB, while also serving at BCU. As at 31 December 2012, COPAB's payroll includes no BCU-seconded officers.

Staff remunerations and social security charges included as administrative expenses correspond to the amounts actually funded by the FGDB.

The increase in staff remunerations as compared to 2011 can be explained, mostly, by the incorporation of staff members who worked as BCU-seconded staff until August 2011 (4 employees) and until March 2012 (1 employee). The Central Bank of Uruguay was in charge of financing most of such remunerations.

Hired Services includes the cost of several services directly hired by COPAB, as lawyer and computer engineer fees, rent of the head office as from 1 July 2010, and contracts relating to computer system maintenance.

**NOTE 8 – TAX REGIME**

Pursuant to section 26 of Law 18,401, COPAB is exempt from all national taxes, even those contemplated by special laws, except social security contributions.

**NOTE 9 – BALANCES AND TRANSACTIONS INVOLVING RELATED PARTIES**

Balances and transactions involving related parties comprise, basically, balances existing with the FGDB, which is an independent patrimony of affectation (*patrimonio de afectación*)<sup>1</sup> managed by COPAB, and the Board of Directors remunerations.

Said balances are as follows:

Account	December-12	December-11
Credits-Items to be Received from the FGDB	3,601,005	3,922,111
Income – FGDB Contributions	35,507,977	29,236,749
AFISA Taxes to be Recovered	-	10,988
FRPB Salaries to be Recovered	211,612	17,151
Board of Directors Remunerations	7,574,979	6,402,292

The increase in the “Board of Directors Remunerations” item as compared to 2011 is due to the fact that the Director's office was vacant for more than three months in 2011.

**NOTE 10 – DEPOSIT INSURANCE FUND EQUITY**

The Deposit Insurance Fund equity managed by COPAB as at the closing date of each fiscal year is as follows.

Account	December-12	December-11
FGDB Equity	5,510,388,727	4,372,526,519

<sup>1</sup> The patrimony of affectation is a patrimony, or legal entitlement, that can be divided for a purpose, as being distinct from the general patrimony of the person. It is similar to the common law concept of the trust in some aspects. The property remains outside the patrimony of the grantor.

## **NOTE 11 – EQUITY OF FINANCIAL INSTITUTIONS UNDER LIQUIDATION**

The equity of financial institutions under liquidation managed by COPAB as at December 31, 2012 and as at 31 December 2011 amounts to US\$ 14,244,505 and US\$ 14,099,157 respectively, according to the following itemization:

Institution	US\$	US\$
	December-12	December-11*
Banco Comercial FRPB	13,342,738	12,082,971
Banco Montevideo FRPB	515,115	1,542,828
Banco La Caja Obrera FRPB	386,652	473,358
Total	14,244,505	14,099,157

(\*) Equity as at 31 December 2011 as per audited financial statements.

## **NOTE 12 – SUBSEQUENT EVENTS**

There have been no subsequent events between December 31, 2012 and the date of approval of the current Financial Statements which could have caused any changes in these financial statements.



The background features a series of concentric, curved lines in shades of light beige and cream, creating a sense of depth and movement. The lines are thicker and more prominent on the right side, tapering off towards the left.

# 6

FRPB Financial Statements  
as at 31 December 2012

Banco La Caja Obrera – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco La Caja Obrera – Bank Assets Recovery Fund (under liquidation)*)

## **Financial Statements as at 31 December 2012, and Independent Auditor’s Report.**

### **Contents**

Independent Auditor’s Report  
Statement of Financial Position  
Profit and Loss Statement  
Cash Flow Statement  
Liquidation Fund Participants’ Evolution Statement  
Notes to the Financial Statements

### **Deloitte**

#### **Independent Auditor’s Report**

The Director and Supervisor of Banco La Caja Obrera – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco La Caja Obrera – Bank Assets Recovery Fund (under liquidation)*)

We have audited the attached financial statements of Banco La Caja Obrera – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco La Caja Obrera – Bank Assets Recovery Fund (under liquidation)*), which include the Statement of Financial Position as at 31 December, 2012, the respective Profit and Loss Statement, Cash Flow Statement and Liquidation fund Participants’ Evolution Statement, for the fiscal year ended on the abovementioned date, as well as the significant accounting policy notes and other explanatory notes to the financial statements.

### **Management's Responsibility Regarding Financial Statements**

The Management of Banco La Caja Obrera – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco La Caja Obrera – Bank Assets Recovery Fund (under liquidation)*) is responsible for preparing and reasonably presenting the financial statements attached hereto, pursuant to the appropriate accounting standards included in the Operating Regulations and, regarding any aspects not provided for thereunder, pursuant to accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial institutions, regarding their relevant aspects as stated under Note 2. This responsibility includes the design, implementation, and maintenance of an appropriate internal control system to ensure that financial statements are reasonably prepared and presented, and that they are free of significant mistakes caused by either fraud or error; the selection and application of appropriate accounting policies; and the preparation of reasonable accounting estimates according to the circumstances.

### **Auditor's Responsibility**

Our responsibility is to issue an opinion in connection with the abovementioned financial statements based on our audit. Our audit was carried out according to the international auditing standards issued by the International Federation of Accountants (IFAC). These standards require compliance with ethical requirements, as well as planning and auditing procedures required to obtain reasonable certainty that the financial statements are free of any significant mistakes.

An audit involves carrying out certain procedures in order to obtain audit evidence of financial statements' amounts and disclosures. The selected procedures depend on the Auditor's professional opinion, including the assessment of risks regarding the existence of significant mistakes in the financial statements, whether due to fraud or error. When assessing risks,

the Auditor takes into consideration internal-control aspects deemed relevant for reasonably preparing and presenting the financial statements, in order to design audit procedures according to the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also implies assessing the degree of suitability of the accounting policies applied, and the reasonability of the accounting estimates issued by the Board of Directors, as well as assessing the general presentation of the financial statements.

We believe the evidence yielded by this audit provides a sufficient and appropriate basis to support our opinion.

### **Opinion**

In our opinion, the abovementioned financial statements reasonably present, in all material respects, the financial position of Banco La Caja Obrera – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco La Caja Obrera – Bank Assets Recovery Fund (under liquidation)*) as at 31 December 2012, the results of its operations, and cash flows for the fiscal year ended on the abovementioned date, pursuant to the appropriate accounting standards included in the Operating Regulations and, regarding any aspects not provided for thereunder, pursuant to accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial institutions, regarding their relevant aspects as stated under Note 2.

### **Emphasis on certain issues**

Notwithstanding our opinion, we would like to highlight the following issues:

The standards and criteria mentioned under the “Opinion” heading hereof, are the standards included in the Operating Regulations and, regarding any aspects not provided for thereunder, the accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control

of financial institutions, regarding their relevant aspects as stated under Note 2. Any possible differences between these financial statements and those prepared pursuant to International Financial Reporting Standards and pursuant to standards and general criteria in force determined by the Central Bank of Uruguay have not been determined nor quantified.

As stated under Note 1 a), the ten-year term for which the Fund had been created expired on 31 December 2012. Therefore, the Board of Directors resolved to communicate the dissolution and liquidation thereof.

20 May, 2013

José Luis Rey,

Partner, Deloitte S.C.

Banco La Caja Obrera – Fondo de Recuperación del Patrimonio Bancario  
(en liquidación) (*Banco La Caja Obrera – Bank Assets Recovery Fund*  
(under liquidation))

**Statement of Financial Position as at 31 december 2012**  
(in US dollars)

ASSETS	Note	2012
Liquid Assets	3	1,075,760
Temporary Investments		11,962
Assets for Sale	4	9,705
<b>Total Assets</b>		<b>1,097,427</b>
<b>Liabilities and Liquidation Fund Participants</b>		
<b>Liabilities</b>		
Miscellaneous Liabilities	5	107,752
Provisions	6	129,405
<b>Total Liabilities</b>		<b>237,157</b>
<b>Liquidation Fund Participants</b>		
Initial Equity	7	83,489,979
Payments to Fund Shareholders	8	(71,817,621)
Adjustments to Equity		(7,823,367)
Retained Earnings		(3,375,634)
Fiscal Year Results		386,913
<b>Total Liquidation Fund Participants</b>		<b>860,270</b>
<b>Total Liabilities and Liquidation Fund Participants</b>		<b>1,097,427</b>
<b>Debit Memorandum and Contingency Accounts</b>	9	70,685,518
<b>Credit Memorandum and Contingency Accounts</b>	9	70,685,518

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

Banco La Caja Obrera – Fondo de Recuperación del Patrimonio Bancario  
(en liquidación) (*Banco La Caja Obrera – Bank Assets Recovery Fund*  
(under liquidation))

**Profit and Loss Statement for the fiscal year ended on 31  
December 2012**  
(in US dollars)

	Note	2012
<b>Net Income from Operations</b>		
Income from Sale of real and personal property		113,313
Financial Income		5,579
		<b>118,892</b>
<b>Administrative Expenses</b>		
Professional Fees		(8,390)
Taxes		(19,488)
Other Expenses from Operations		(7,596)
Court Expenses		(20,878)
Contracted Services		(49,994)
Loss for Suits		(90,405)
		<b>(196,751)</b>
<b>Miscellaneous Income</b>		
Earnings from Miscellaneous Income	10	(513,009)
Losses from Miscellaneous Income		(48,623)
		<b>(464,386)</b>
<b>Financial Results</b>		
Exchange Rate Difference	2f	970
Bank Expenses		(584)
		<b>386</b>
<b>Net Income</b>		<b>386,913</b>

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

Banco La Caja Obrera – Fondo de Recuperación del Patrimonio Bancario  
(en liquidación) (*Banco La Caja Obrera – Bank Assets Recovery Fund  
(under liquidation)*)

**Cash Flow Statement as at 31 December 2012**

(in US dollars)

<b>Cash Flow from Operating Activities</b>	<b>2012</b>
Net Income	386,913
<b>Adjustments</b>	
Provisions for Lawsuits	90,405
Earnings from Sale of Fixed Assets	(123,018)
Securities Adjustment	(11,700)
Earnings from Securities Holding	(2,837)
Liquid Assets Exchange Rate Difference	(1,091)
	<b>338,672</b>
<b>Changes in Assets and Liabilities</b>	
Variation in Operating Assets	179,738
Variation in Operating Liabilities	(60,809)
<b>Net Cash Flow Arising from Operating Activities</b>	<b>(457,601)</b>
<b>Cash Flow applied to Investment Activities</b>	
Income from Sale of Assets for Sale	134,314
Collected Interests and other Financial Income	2,837
<b>Net Cash Flow arising from Investment Activities</b>	<b>137,151</b>
<b>Cash Flow applied to Funding Activities</b>	
Payment to Liquidation Fund participants	-
<b>Net Cash Flow applied to Funding Activities</b>	-
<b>Net Fund Flow</b>	<b>594,752</b>

Liquid Assets Exchange Rate Difference	1,091
<b>Cash Funds at the Beginning of the Fiscal Year</b>	<b>479,917</b>
<b>Cash Net Funds at the End of the Fiscal Year</b>	<b>1,075,760</b>

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

Banco La Caja Obrera – Fondo de Recuperación del Patrimonio Bancario  
(en liquidación) (*Banco La Caja Obrera – Bank Assets Recovery Fund  
(under liquidation)*)

**Liquidation Fund Participants Evolution Statement for the  
fiscal year ended on 31 December 2012**  
(in US dollars)

	Initial Equity	Payments to Liquidation Fund Participants	Equity Adjustments	Retained Earnings	Total Liquidation Fund Participants
<b>Initial Balances</b>					
Initial Equity	83,489,979	-	-	-	83,489,979
Payments to Liquidation Fund Participants	-	(71,817,621)	-	-	(71,817,621)
Adjustments to Equity	-	-	(7,823,366)	-	(7,823,366)
Retained Earnings	-	-	-	(3,375,634)	(3,375,634)
	<b>83,489,979</b>	<b>(71,817,621)</b>	<b>(7,823,366)</b>	<b>(3,375,634)</b>	<b>473,358</b>
<b>Fiscal Year Modifications</b>					
Payments to Liquidation Fund Participants	-	-	-	-	-
Fiscal Year Earnings	-	-	-	386,913	386,913
	-	-	-	<b>386,913</b>	<b>386,913</b>
<b>Final Balances</b>					
Initial Equity	83,489,979	-	-	-	83,489,979
Payments to Liquidation Fund Participants	-	(71,817,621)	-	-	(71,817,621)
Adjustments to Equity	-	-	(7,823,367)	-	(7,823,367)
Retained Earnings	-	-	-	(2,988,721)	(2,988,721)
<b>Total</b>	<b>83,489,979</b>	<b>(71,817,621)</b>	<b>(7,823,367)</b>	<b>(2,988,721)</b>	<b>860,270</b>

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

Banco La Caja Obrera – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco La Caja Obrera – Bank Assets Recovery Fund (under liquidation)*)

## **Notes to the Financial Statements as at 31 December 2012**

(in US dollars)

### **Note 1 – Basic Information Regarding the Company**

#### **a. Legal Nature**

Banco La Caja Obrera – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco La Caja Obrera – Bank Assets Recovery Fund (under liquidation)*), hereinafter the Fund, is a bank assets recovery fund created pursuant to Law No. 17,613 dated 27 December, 2002, and which is governed by Law 16,774 dated 27 September 1996, and its amending Law 17,202 dated 24 September 1999, and by the Operating Regulations approved by the Central Bank of Uruguay pursuant to Resolution D/934/002 dated 31 December 2002 and amending regulations.

The Fund is not a corporation and has no legal personality.

Pursuant to Section 50 of Law 18,401 dated 24 October 2008, management of ongoing liquidations of financial institutions at that time was to be transferred from the Central Bank of Uruguay to the Corporación de Protección del Ahorro Bancario (*Bank Savings Protection Corporation*). By virtue of the above provision, pursuant to Transfer Act dated 16 December 2011, the Boards of Directors of both entities agreed on transferring the management of several ongoing liquidations, among which that of Banco de La Caja Obrera S.A. – Bank Assets Recovery Fund.

The Fund's term of existence was ten years, which could be extended in case the Fund assets were not recovered. On 31 December 2012 the Fund's ten-year term expired, whereupon the dissolution and liquidation thereof took place. Pursuant to Resolution 45/2012 of COPAB's Board of Directors, dated 28 December 2012, the Fund's dissolution and liquidation was disclosed to the general public.

#### **b. Main Activity**

The purpose of the Fund is to manage and liquidate assets, within the powers granted to the manager under Law 17,613. The Fund's assets have been received from Banco de La Caja Obrera S.A. by virtue of the transfer by operation of law effected under Section 24 of the abovementioned Law and the resolution of the Central Bank of Uruguay declaring the dissolution and liquidation of the abovementioned Bank.

The Fund can only assume obligations when this is convenient for its operation in the manager's opinion.

## **Note 2 – Main Accounting Policies and Practices**

### **a. Basis for the preparation of the Financial Statements**

These financial statements have been prepared according to the Fund's Operating Regulations, as approved by the Central Bank of Uruguay on 31 December 2002, and, regarding any aspects not provided for thereunder, pursuant to accounting standards similar to the ones issued by the Central Bank of Uruguay for the Regulation and Control of Financial Institutions, and according to the following criteria.

### **b. General Valuation Criteria**

The Operating Regulations provide that, for the purpose of asset valuation, the market price criteria will be used, failing which, the benchmark value (assessment, contract value, book-entry value, etc.) will be used.

Owned Real Property as at 31 December 2002 (Note 4) is valued at its net accounting value as at that date.

### **c. Equity**

The Fund's Equity has been determined as:

- reclassification of liabilities for the creation of fund participations.
- amounts arisen on account of equity adjustments of the equity situation as at 31 December 2002,
- retained earnings since the beginning of the Fund's operations as at 31 December 2012,
- less payments to Liquidation Fund Participants as at 31 December 2012

### **d. Earnings Determination**

To determine fiscal year earnings the accrual basis was applied, both for recognition of income and for allocation of expenses.

### **e. Measurement Unit**

Pursuant to Resolution D/493/003 dated 14 August 2003 (Amendment of Regulations) of the Central Bank of Uruguay, the unit for determination of the

value of the fund participation is the US dollar. This currency is used for measuring the rest of the financial statements.

#### **f. Accounts in a currency other than that of the measurement unit**

Operations in a currency other than the dollar have been accounted for by their equivalent in US dollars, according to the exchange rates in force on the market as at the date of completion of the transactions.

Earnings arising from the use of exchange rates different than those in force as at the date or period when assets and liabilities were generated have been recognized during the fiscal year and stated under the exchange rate difference item.

Assets and liabilities balances in currencies other than the US dollar have been translated into the latter currency, according to the rates as at the closing date of the fiscal year, as per the following itemization:

-Balances in domestic currency considering the \$ 1 = US\$ 0.0516 rate, i.e., 1 US\$ = \$ 19.399.

#### **g. Future Contingencies Estimate Reserve**

Section 24 of Law 17,613 provides for the creation of an additional fund participation to the incorporated liabilities, for future contingencies, which shall be disposed of by the liquidator.

Pursuant to Provision 15 of the Fund's Operating Regulations, the estimate for future contingencies should mandatorily contemplate the probability of occurrence of future events corresponding to appeals, claims and suits involving the assets and liabilities stated in the balance sheet as at 31 December 2002 of the Bank under liquidation, although there is no indication that these are the only items to be taken into account in order to create the reserve.

Since the fund participation for future contingencies is determined through an estimate, this shall be reviewed from time to time in order to contemplate variations in the originally anticipated future events.

In this sense, Resolution D/257/2007 dated 13 June 2007 of the Central Bank of Uruguay provided for the review of the abovementioned estimate, on an annual

basis, on 31 October every year.

The Fund's authorities resolved to keep the estimate of the respective fund share for future contingencies, at its current value.

For the purposes of issuing this estimate, the total number of suits and/or claims existing as at 31 October 2012, as per the reports issued by the respective legal advisers, including the claimed amounts, and the degree of probability of a final judgment unfavourable to the Fund, are taken into account.

The portion reserved for future contingencies, corresponding to partial redemptions made to date, is managed by the Fund Management and stated under the Liquid Assets item, for a total of US\$ 1,581,824 (Note 3).

Pursuant to the Resolution of the Board of Directors of COPAB D/45/2012, it was resolved to keep at the liquidator's disposal liquid funds earmarked as to that date to the additional fund participation for future contingencies. These funds will be allocated to the payment of all costs and expenses corresponding to the defence in non-concluded judicial proceedings (Section 23 of Law 17,613 dated 27 December 2002).

#### **h. Definition of Funds for Cash Flow Statement purposes**

For the purposes of this Statement, funds were defined as liquid assets.

#### **Note 3 – Liquid Assets**

The balance of Liquid Assets is composed as follows:

Local correspondents	800,861
Central Bank of Uruguay	1,854,640
Banco de la República Oriental del Uruguay	2,083
Subtotal	<u>2,657,584</u>
Earmarked to future contingencies estimate (Note 2g)	<u>(1,581,824)</u>
	<u>1,075,760</u>

The local correspondents' balance represents current accounts and savings accounts opened in Nuevo Banco Comercial S.A.

Considering that the amounts received for future contingencies are managed by the

Fund itself, the total of US\$ 1,581,824 for the above was allocated to liquid assets.

#### **Note 4 – Assets for Sale**

The balance's composition as at 31 December 2012 includes assets owned by the Fund before 27 December 2002.

Next is the itemization for the balance evolution throughout the fiscal year:

	<b>Values at Fiscal Year Beginning</b>	<b>Additions</b>	<b>Discharges</b>	<b>Values at Fiscal Year Closing</b>
<b>Real Property</b> Self-owned Property as at 31.12.02	21,001	9,705	21,001	9,705
<b>Total</b>	<b>21,001</b>	<b>9,705</b>	<b>21,001</b>	<b>9,705</b>

Additions correspond to recovered assets, registered according to the information provided by the Fund's Notaries.

Discharges correspond to asset sales or adjustments during the Fiscal Year

Any property for which there exists a title to property or register information available, is considered by the Fund's Authorities as self-owned property.

#### **Note 5 – Miscellaneous Liabilities**

The Miscellaneous Liabilities balance is composed as follows:

Miscellaneous Liabilities 107,752

It corresponds to outstanding balances with suppliers and non-allocated collected sums.

#### **Note 6 – Provisions**

The provisions balance corresponds to labour-related suits for labour contingencies not resolved to date.

#### **Note 7 – Initial Equity**

The initial equity is composed as follows:

Non-adjusted initial equity	181,625,284
Initial Equity Adjustments	371,860
Payment to Liquidation Fund Participants with certificates	(60,252,196)
Redistribution of Certificates	(19,682,571)
Other Adjustments	(345,177)
Earnings	(18,227,221)
<b>Initial Equity</b>	<b>83,489,979</b>

The non-adjusted initial equity was determined as the difference between the assets' and liabilities' balances, not taken into account for the creation of fund participations, arising from the Fund's final balance sheet as at 31 December 2002.

#### **Note 8 – Payments to Liquidation Fund Participants**

The total payments made to Fund Shareholders correspond to the balance accounted for under the Payment to Liquidation Fund Participants account, plus the payment to Liquidation Fund Participants with certificates, included in the initial equity. No fund share redemptions took place during the 2012 fiscal year.

#### **Note 9 – Memorandum and Contingency Accounts**

This item's balance is composed as follows:

Liquidation Fund Participants (9.1)	69,531,932
<b>Third Parties' Cash Management</b> (9.2)	1,141,586
<b>Third Parties' Securities</b> (9.3)	12,000
	<b>70,685,518</b>

#### **9.1 Liquidation Fund Participants**

This item represents the balance not paid to depositors, as per the following itemization:

Beneficiaries under Section 27	28,701,102
Appeals	35,236,568
Central Bank of Uruguay	2,958,328
Contingency	955,785
Other Creditors	1,680,149
	<b>69,531,932</b>

## **9.2 Third Parties' Cash Management**

This balance basically corresponds to payments received through partial redemption of fund participations owned by the Government, earmarked to the provision of resources pursuant to Section 27 of Law 17,613. These amounts are managed by the Fund and are deposited in savings accounts in Nuevo Banco Comercial S.A.

## **9.3 Third Parties' Securities Management**

This item's balance corresponds exclusively to third parties' securities reported by Nuevo Banco Comercial, as arising from the agreements entered into by the Fund

### Note 10 – Miscellaneous Income

Miscellaneous Income corresponds basically to the collection of insurance for an incident involving theft of safety boxes in Pando.

# Deloitte

## Independent Auditor's Report

The Director and Supervisor of **Banco Comercial – Fondo de Recuperación del Patrimonio Bancario (en liquidación)** *Banco Comercial Bank Assets Recovery Fund (under liquidation)*

We have audited the attached financial statements of Banco Comercial – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Comercial – Bank Assets Recovery Fund (under liquidation)*), which include the Statement of Financial Position as at 31 December, 2012, the respective Profit and Loss Statement, Cash Flow Statement and Liquidation Fund Participants' Evolution Statement, for the fiscal year ended on the abovementioned date, as well as the significant accounting policy notes and other explanatory notes to the financial statements.

### Management's Responsibility Regarding Financial Statements

The Management of Banco Comercial – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Comercial – Bank Assets Recovery Fund (under liquidation)*) is responsible for preparing and reasonably presenting the financial statements attached hereto, pursuant to the appropriate accounting standards included in the Operating Regulations and, regarding any aspects not provided for thereunder, pursuant to

accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial institutions, regarding their relevant aspects as stated under Note 2. This responsibility includes the design, implementation, and maintenance of an appropriate internal control system to ensure that financial statements are reasonably prepared and presented, and that they are free of significant mistakes caused by either fraud or error; the selection and application of appropriate accounting policies; and the preparation of reasonable accounting estimates according to the circumstances.

### **Auditor's Responsibility**

Our responsibility is to issue an opinion in connection with the abovementioned financial statements based on our audit. Our audit was carried out according to the international auditing standards issued by the International Federation of Accountants (IFAC). These standards require compliance with ethical requirements, as well as planning and auditing procedures required to obtain reasonable certainty that the financial statements are free of any significant mistakes.

An audit involves carrying out certain procedures in order to obtain audit evidence of financial statements' amounts and disclosures. The selected procedures depend on the Auditor's professional opinion, including the assessment of risks regarding the existence of significant mistakes in the financial statements, whether due to fraud or error. When assessing risks, the Auditor takes into consideration internal-control aspects deemed relevant for reasonably preparing and presenting the financial statements, in order to design audit procedures according to the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also implies assessing the degree of suitability of the accounting policies applied, and the reasonability of the accounting estimates issued by the Board of Directors, as well as assessing

the general presentation of the financial statements.

We believe the evidence yielded by this audit provides a sufficient and appropriate basis to support our opinion.

### **Opinion**

In our opinion, the abovementioned financial statements reasonably present, in all material respects, the financial position of Banco Comercial – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Comercial – Bank Assets Recovery Fund (under liquidation)*) as at 31 December 2012, the results of its operations, and cash flows for the fiscal year ended on the abovementioned date, pursuant to the appropriate accounting standards included in the Operating Regulations and, regarding any aspects not provided for thereunder, pursuant to accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial institutions, regarding their relevant aspects as stated under Note 2.

### **Emphasis on certain issues**

Notwithstanding our opinion, we would like to highlight the following issues:

The standards and criteria mentioned under the “Opinion” heading hereof, are the standards included in the Operating Regulations and, regarding any aspects not provided for thereunder, the accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial institutions, regarding their relevant aspects as stated under Note 2. Any possible differences between these financial statements and those prepared pursuant to International Financial Reporting Standards and pursuant to standards and general criteria in force determined by the Central Bank of Uruguay have not been determined nor quantified.

As stated under Note 1 a), the ten-year term for which the Fund had been created expired on 31 December 2012. Therefore, the Board of Directors

resolved to communicate the dissolution and liquidation thereof.

20 May, 2013

José Luis Rey,

Partner, Deloitte S.C.

Banco Comercial – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Comercial – Bank Assets Recovery Fund (under liquidation)*)

**Statement of Financial Position as at 31 december 2012**

(in US dollars)

<b>ASSETS</b>	<b>Note</b>	<b>2012</b>
Liquid Assets	3	4,593,671
Miscellaneous Credits	4	8,415,938
Assets for Sale	5	579,008
<b>Total Assets</b>		<b>13,588,617</b>
<b>Liabilities and Liquidation Fund Participants</b>		
<b>Liabilities</b>		
Miscellaneous Liabilities	6	88,116
Provisions	7	357,762
<b>Total Liabilities</b>		<b>445,878</b>
<b>Liquidation Fund Participants</b>		
Initial Equity	8	333,859,145
Payments to Fund Shareholders	9	(294,558,125)
Adjustments to Equity		29,262,993
Retained Earnings		(56,482,028)
Fiscal Year Results		1,060,754
<b>Total Liquidation Fund Participants</b>		<b>13,142,739</b>
<b>Total Liabilities and Liquidation Fund Participants</b>		<b>13,588,617</b>
<b>Debit Memorandum and Contingency Accounts</b>	10	653,272,448
<b>Credit Memorandum and Contingency Accounts</b>	10	653,272,448

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

Banco Comercial – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Comercial – Bank Assets Recovery Fund (under liquidation)*)

**Profit and Loss Statement for the fiscal year ended on 31 December 2012**  
(in US dollars)

Net Income from Operations	Note	2012
Financial Income		547,511
Income from Sale of Assets for Sale		248,987
Other Income from Operations		523,871
		<b>1,320,369</b>
<b>Administrative Expenses</b>		
Professional Fees		(68,909)
Taxes		(42,653)
Contracted Services		(98,182)
Loss for Suits		(360,475)
Other Expenses from Operations		(60,339)
		<b>(630,558)</b>
<b>Miscellaneous Income</b>		
Earnings from Miscellaneous Income		379
Losses from Miscellaneous Income		(214,487)
Reversal of Provisions	12	438,098
Other Income		221,073
		<b>445,063</b>
<b>Financial Results</b>		
Exchange Rate Difference	2f	2,694
Bank Expenses		(76,814)
		<b>(74,120)</b>
<b>Net Income</b>		<b>1,060,754</b>

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

Banco Comercial – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Comercial – Bank Assets Recovery Fund (under liquidation)*)

**Cash Flow Statement as at 31 December 2012**

(in US dollars)

<b>Cash Flow from Operating Activities</b>	<b>2012</b>
Net Income	1,060,754
<b>Adjustments</b>	
Provisions for Lawsuits	360,475
Earnings from Sale of Fixed Assets	(239,988)
Earnings from Securities Exchange Rate Difference	(102,281)
Securities Income	(421,281)
Liquid Assets Exchange Rate Difference	2,005
Other Unpaid Expenses	203,655
	<b>(197,415)</b>
Changes in Assets and Liabilities	
Variation in Operating Assets	26,293
Variation in Operating Liabilities	(467,235)
<b>Total Cash Flow Arising from Operating Activities</b>	<b>422,397</b>
<b>Cash Flow from Investment Activities</b>	
Income from Sale of Property for Sale	247,752
Collected Interests and other Financial Income	421,281
<b>Total Cash Flow arising from Investment Activities</b>	<b>669,033</b>
<b>Funds Net Flow</b>	<b>1,091,430</b>
Liquid Assets Exchange Rate Difference	(2,005)
<b>Cash Funds at the Beginning of the Fiscal Year</b>	<b>3,504,246</b>
<b>Cash Net Funds at the End of the Fiscal Year</b>	<b>4,593,671</b>

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

**Banco Comercial– Fondo de Recuperación del Patrimonio Bancario(en liquidación) (Banco Comercial – Bank Assets Recovery Fund(under liquidation))**

**Liquidation Fund Participants Evolution Statement as at 31 December 2012**  
(in US dollars)

	<b>Initial Equity</b>	<b>Payments to Liquidation Fund Participants</b>	<b>Equity Adjustments</b>	<b>Retained Earnings</b>	<b>Total Liquidation Fund Participants</b>
<b>Initial Balances</b>					
Initial Equity	333,859,145	-	-	-	333,859,145
Payments to Liquidation Fund Participants	-	(294,558,125)	-	-	(294,558,125)
Adjustments to Equity	-	-	29,264,569	-	29,264,569
Retained Earnings	-	-	-	(56,482,028)	(56,482,028)
	<b>333,859,145</b>	<b>(294,558,125)</b>	<b>29,264,569</b>	<b>(56,482,028)</b>	<b>12,083,561</b>
<b>Fiscal Year Modifications</b>					
De-Earmarking of Third Party Funds	-	-	(1,576)	-	(1,576)
Payments to Liquidation Fund Participants	-	-	-	-	-
Fiscal Year Earnings	-	-	-	1,060,754	1,060,754
	-	-	<b>(1,576)</b>	<b>1,060,754</b>	<b>1,059,178</b>
<b>Final Balances</b>					
Initial Equity	333,859,145	-	-	-	333,859,145
Payments to Liquidation Fund Participants	-	(294,558,125)	-	-	(294,558,125)
Adjustments to Equity	-	-	29,262,993	-	29,262,993
Retained Earnings	-	-	-	(55,421,274)	(55,421,274)
<b>Total</b>	<b>333,859,145</b>	<b>(294,558,125)</b>	<b>29,262,993</b>	<b>(55,421,274)</b>	<b>13,142,739</b>

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

Banco Comercial – Fondo de Recuperación del Patrimonio Bancario (en liquidación)  
(*Banco Comercial – Bank Assets Recovery Fund (under liquidation)*)

## Notes to the Financial Statements as at 31 December 2012

(in US dollars)

### Note 1 – Basic Information Regarding the Company

#### a. Legal Nature

Banco Comercial – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Comercial – Bank Assets Recovery Fund (under liquidation)*), hereinafter the Fund, is a bank assets recovery fund created pursuant to Law 17,613 dated 27 December, 2002, and which is governed by Law 16,774 dated 27 September 1996, and its amending Law 17,202 dated 24 September 1999, and by the Operating Regulations approved by the Central Bank of Uruguay pursuant to Resolution D/933/002 dated 31 December 2002 and amending regulations.

The Fund is not a corporation and has no legal personality.

Pursuant to Section 50 of Law 18,401 dated 24 October 2008, management of ongoing liquidations of financial institutions at that time was to be transferred from the Central Bank of Uruguay to the Corporación de Protección del Ahorro Bancario (*Bank Savings Protection Corporation*). By virtue of the above provision, pursuant to Transfer Act dated 16 December 2011, the Boards of Directors of both entities agreed on transferring the management of several ongoing liquidations, among which that of Banco Comercial S.A. – Bank Assets Recovery Fund.

The Fund's term of existence was ten years, which could be extended in case the Fund assets were not recovered. On 31 December 2012 the Fund's ten-year term expired, whereupon the dissolution and liquidation thereof took place. Pursuant to Resolution 43/2012 of COPAB's Board of Directors, dated 28 December 2012, the Fund's dissolution and liquidation was disclosed to the general public.

#### b. Main Activity

The purpose of the Fund is to manage and liquidate assets, within the powers granted to the manager under Law 17,613. The Fund's assets have been received from Banco Comercial S.A. by virtue of the transfer by operation of law effected under Section 24 of the abovementioned Law and the resolution of the Central Bank of Uruguay declaring the dissolution and liquidation of the abovementioned Bank.

The Fund can only assume obligations when this is convenient for its operation in the manager's opinion.

## **Note 2 – Main Accounting Policies and Practices**

### **a. Basis for the preparation of the Financial Statements**

These financial statements have been prepared according to the Fund's Operating Regulations, as approved by the Central Bank of Uruguay on 31 December 2002, and, regarding any aspects not provided for thereunder, pursuant to accounting standards similar to the ones issued by the Central Bank of Uruguay for the Regulation and Control of Financial Institutions, and according to the following criteria.

### **b. General Valuation Criteria**

The Operating Regulations provide that, for the purpose of asset valuation, the market price criteria will be used, failing which, the benchmark value (assessment, contract value, book-entry value, etc.) will be used.

Owned Real Property as at 31 December 2002 (Note 5) is valued at its net accounting value as at that date.

### **c. Equity**

The Fund's Equity has been determined as:

- reclassification of liabilities for the creation of fund participations.
- amounts arisen on account of equity adjustments of the equity situation as at 31 December 2002,
- retained earnings since the beginning of the Fund's operations as at 31 December 2012,
- less payments to Liquidation Fund Participants as at 31 December 2012

### **d. Earnings Determination**

To determine the fiscal year earnings the accrual basis was applied, both for recognition of income and for allocation of expenses.

### **e. Measurement Unit**

Pursuant to Resolution D/493/003 dated 14 August 2003 (Amendment of Regulations) of the Central Bank of Uruguay, the unit for determination of the

value of the fund participation is the US dollar. This currency is used for measuring the rest of the financial statements.

#### **f. Accounts in a currency other than that of the measurement unit**

Operations in a currency other than the dollar have been accounted for by their equivalent in US dollars, according to the exchange rates in force on the market as at the date of completion of the transactions.

Earnings arising from the use of exchange rates different than those in force as at the date or period when assets and liabilities were generated have been recognized during the fiscal year and stated under the exchange rate difference item.

Assets and liabilities balances in currencies other than the US dollar have been translated into the latter currency, according to the rates as at the closing date of the fiscal year, as per the following itemization:

- Balances in domestic currency considering the \$ 1 = US\$ 0.0516 rate, i.e., 1 US\$ = \$ 19.399.
- Balances in Euros, considering the 1 Euro = US\$ 1.3220 ratio.

#### **g. Future Contingencies Estimate Reserve**

Section 24 of Law 17,613 provides for the creation of an additional fund participatin corresponding to assumed incorporated liabilities, for future contingencies, which shall be disposed of by the liquidator.

Pursuant to Provision 15 of the Fund's Operating Regulations, the estimate for future contingencies should mandatorily contemplate the probability of occurrence of future events corresponding to appeals, claims and suits involving the assets and liabilities stated in the balance sheet as at 31 December 2002 of the Bank under liquidation, although there is no indication that these are the only items to be taken into account in order to create the reserve.

Since the fund participation for future contingencies is determined through an estimate, this shall be reviewed from time to time in order to contemplate variations in the originally anticipated future events.

In this sense, Resolution D/257/2007 dated 13 June 2007 of the Central Bank of

Uruguay provided for the review of the abovementioned estimate, on an annual basis, on 31 October every year. The Fund's authorities resolved to keep the estimate of the respective fund share for future contingencies, at its current value.

For the purposes of issuing this estimate, the total number of suits and/or claims existing as at the closing date of the fiscal year, as per the reports issued by the respective legal advisers, including the claimed amounts, and the degree of probability of a final judgment unfavourable to the Fund, are taken into account.

The portion reserved for future contingencies, corresponding to partial redemptions made to date, is managed by the Fund Management and stated under the Liquid Assets item, for a total of US\$ 6,111,081 (Note 3).

Pursuant to the Resolution of the Board of Directors of COPAB D/43/2012, by virtue of the Fund's dissolution, it was resolved:

1- To keep at the liquidator's disposal liquid funds earmarked as to that date to the additional participation for future contingencies. These funds will be allocated to the payment of all costs and expenses corresponding to the defence in non-concluded judicial proceedings (Section 24 of Law 17,613 dated 27 December 2002) and 2- To keep at the liquidator's disposal all liquid funds earmarked as to that date to the fund participation for liabilities corresponding to the issue of Bonds.

#### **h. Definition of Funds for Cash Flow Statement purposes**

For the purposes of this Statement, funds were defined as liquid assets.

#### **Note 3 – Liquid Assets**

The balance is composed as follows:

Local correspondents	2,294,987
Central Bank of Uruguay	8,392,666
Banco de la República Oriental del Uruguay	17,099
	<u>10,704,752</u>
Earmarked to future contingencies estimate (Note 2g)	<u>(6,111,081)</u>
	<u>4,593,671</u>

The local correspondents' balance represents current accounts and savings accounts opened in Nuevo Banco Comercial S.A.

Considering that the amounts received for future contingencies are managed by the Fund itself, the total of US\$ 6,111,081 for the above was allocated to liquid assets.

#### Note 4 – Miscellaneous Credits

This item's balance is composed as follows:

Guarantee Deposits (Note 4.1)	8,079,940
Debtors for Sale of Real and Personal Property	335,998
	<b>8,415,938</b>

4.1 The balance corresponds to securities deposited by the Central Bank of Uruguay as guarantee in connection with a pledge on transactions carried out throughout 1996 as part of agreements entered into with ALADI, for a nominal value of US\$ 5,675,614.

#### Note 5 – Assets for Sale

Next is the itemization for the balance evolution throughout the fiscal year:

	Original Values				Values at Fiscal Year Closing
	Values at Fiscal Year Beginning	Additions	Discharges	Other Transactions	
<b>Real Property</b>					
Acquired as loan recovery	27,700	-	(18,700)	(9,000)	-
Self-owned Property as at 31.12.02	895,071	-	(316,063)	-	579,008
<b>Total</b>	<b>922,771</b>	<b>-</b>	<b>(334,763)</b>	<b>(9,000)</b>	<b>579,008</b>

Discharges correspond to asset sales during the Fiscal Year

Other Transactions corresponds to asset adjustments during the Fiscal Year

#### Note 6 – Miscellaneous Liabilities

This item's balance is composed as follows:

Items to be paid to third parties	(87,861)
Tax Creditors	(255)
	<b>(88,116)</b>

Miscellaneous Liabilities correspond to outstanding balances with suppliers, as well as non-allocated collections.

The tax creditors' balance corresponds to the withholding balance payable.

#### **Note 7 – Provisions**

The provisions balance corresponds to labour-related suits for contingencies not resolved to date.

#### **Note 8 – Initial Equity**

The initial equity is composed as follows:

Non-adjusted initial equity	628,638,583
Initial Equity Adjustments	(34,510,424)
Payment to Liquidation Fund Participants with certificates	(221,784,879)
Redistribution of Certificates	(10,839,371)
Other Adjustments	(435,468)
Earnings	(27,209,296)
<b>Initial Equity</b>	<b>333,859,145</b>

The non-adjusted initial equity was determined as the difference between the assets' and liabilities' balances, not taken into account for the creation of fund participations, arising from the balance sheet of Banco Comercial S.A. as at 31 December 2002.

#### **Note 9 – Payments to Liquidation Fund Participants**

The total payments made to Liquidation Fund Participants correspond to the balance accounted for under the Payment to Liquidation Fund Participants account, plus the payment to Fund Shareholders with certificates, included in the initial equity. No fund participation redemptions took place during the 2012 fiscal year.

#### **Note 10 – Memorandum and Contingency Accounts**

This item's balance is composed as follows:

Liquidation Fund Participants (10.1)	646,564,503
Third Parties' Cash Management (10.2)	6,507,945
Third Parties' Securities Management	200,000
	<hr/>
	<b>653,272,448</b>

## 10.1 Liquidation Fund Participants

This item represents the balance not paid to depositors, as per the following itemization:

Beneficiaries under Section 27	81,379,554
Appeals	380,021,474
Central Bank of Uruguay	36,620,953
Contingency	6,994,127
Bond Holders	111,920,982
Other Creditors	29,627,412
	<b>646,564,502</b>

## 10.2 Third Parties' Cash Management

This balance corresponds to payments received through partial redemption of fund participations owned by the Government, earmarked to the provision of resources pursuant to Section 27 of Law 17,613. These amounts are managed by the Fund and are deposited in savings accounts in Nuevo Banco Comercial S.A.

### Note 11 – Other Income from Operations

This basically corresponds to the collection of amounts for liquidation of Banco General de Negocios (en liquidación [under liquidation]) of Argentina.

### Note 12 – Reversal of Provisions

The Fund recorded a Provision for Tax Contingencies until the fiscal year closed on 31 December 2012. These contingencies prescribed in this fiscal year, therefore, the respective provisions have been reversed.

# Deloitte

## **Independent Auditor's Report**

The Director and Supervisor of Banco Montevideo – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (**Banco Montevideo – Bank Assets Recovery Fund (under liquidation)**)

We have audited the attached financial statements of Banco Montevideo – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Montevideo – Bank Assets Recovery Fund (under liquidation)*), which include the Statement of Financial Position as at 31 December, 2012, the respective Profit and Loss Statement, Cash Flow Statement and Liquidation Fund Participants' Evolution Statement, for the fiscal year ended on the abovementioned date, as well as the significant accounting policy notes and other explanatory notes to the financial statements.

### **Management's Responsibility Regarding Financial Statements**

The Management of Banco Montevideo – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Montevideo – Bank Assets Recovery Fund (under liquidation)*) is responsible for preparing and reasonably presenting the financial statements attached hereto, pursuant to the appropriate accounting standards included in the Operating Regulations and, regarding any aspects not provided for thereunder, pursuant to

accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial institutions, regarding their relevant aspects as stated under Note 2. This responsibility includes the design, implementation, and maintenance of an appropriate internal control system to ensure that financial statements are reasonably prepared and presented, and that they are free of significant mistakes caused by either fraud or error; the selection and application of appropriate accounting policies; and the preparation of reasonable accounting estimates according to the circumstances.

### **Auditor's Responsibility**

Our responsibility is to issue an opinion in connection with the abovementioned financial statements based on our audit. Our audit was carried out according to the international auditing standards issued by the International Federation of Accountants (IFAC). These standards require compliance with ethical requirements, as well as planning and auditing procedures required to obtain reasonable certainty that the financial statements are free of any significant mistakes.

An audit involves carrying out certain procedures in order to obtain audit evidence of financial statements' amounts and disclosures. The selected procedures depend on the Auditor's professional opinion, including the assessment of risks regarding the existence of significant mistakes in the financial statements, whether due to fraud or error. When assessing risks, the Auditor takes into consideration internal-control aspects deemed relevant for reasonably preparing and presenting the financial statements, in order to design audit procedures according to the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also implies assessing the degree of suitability of the accounting policies applied, and the reasonability of the accounting estimates issued by the Board of Directors, as well as assessing

the general presentation of the financial statements.

We believe the evidence yielded by this audit provides a sufficient and appropriate basis to support our opinion.

### **Opinion**

In our opinion, the abovementioned financial statements reasonably present, in all material respects, the financial position of Banco Montevideo – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Montevideo – Bank Assets Recovery Fund (under liquidation)*) as at 31 December 2012, the results of its operations, and cash flows for the fiscal year ended on the abovementioned date, pursuant to the appropriate accounting standards included in the Operating Regulations and, regarding any aspects not provided for thereunder, pursuant to accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial institutions, regarding their relevant aspects as stated under Note 2.

### **Emphasis on certain issues**

Notwithstanding our opinion, we would like to highlight the following issues:

The standards and criteria mentioned under the “Opinion” heading hereof, are the standards included in the Operating Regulations and, regarding any aspects not provided for thereunder, the accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial institutions, regarding their relevant aspects as stated under Note 2. Any possible differences between these financial statements and those prepared pursuant to International Financial Reporting Standards and pursuant to standards and general criteria in force determined by the Central Bank of Uruguay have not been determined nor quantified.

As stated under Note 1 a), the ten-year term for which the Fund had been created expired on 31 December 2012. Therefore, the Board of Directors

resolved to communicate the dissolution and liquidation thereof.

20 May, 2013

José Luis Rey,  
Partner, Deloitte S.C.

Banco Montevideo – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Montevideo – Bank Assets Recovery Fund (under liquidation)*)

**Statement of Financial Position as at 31 december 2012**

(in US dollars)

ASSETS	Note	2012
Liquid Assets	3	334,166
Temporary Investments	4	185,537
Miscellaneous Credits	5	866,888
		<hr/>
<b>Total Assets</b>		<b>1,386,591</b>
		<hr/> <hr/>
<b>Liabilities and Liquidation Fund Participants</b>		
<b>Liabilities</b>		
Miscellaneous Liabilities	7	90,475
Provisions	8	317,548
<b>Total Liabilities</b>		<b>408,023</b>
<b>Liquidation Fund Participants</b>		
Initial Equity	9	102,632,994
Payments to Liquidation Fund Participants	10	(129,633,119)
Adjustments to Equity		28,327,206
Retained Earnings		267,106
Fiscal Year Results		(615,619)
		<hr/>
<b>Total Liquidation Fund Participants</b>		<b>978,568</b>
		<hr/> <hr/>
<b>Total Liabilities and Liquidation Fund Participants</b>		<b>1,386,591</b>
		<hr/>
<b>Debit Memorandum and Contingency Accounts</b>	11	571,183,844
		<hr/>
<b>Credit Memorandum and Contingency Accounts</b>	11	(571,183,844)

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

Banco Montevideo – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Montevideo – Bank Assets Recovery Fund (under liquidation)*)

**Profit and Loss Statement for the fiscal year ended on 31 December 2012**  
(in US dollars)

Net Income from Operations	Note	2012
Financial Income		50,214
		<b>50,214</b>
<b>Administrative Expenses</b>		
Professional Fees		<b>(69,180)</b>
Taxes		(30,283)
Court Expenses		(3,179)
Contracted Services		<b>(67,333)</b>
Loss for Suits		<b>(326,108)</b>
Other Expenses from Operations		(15,364)
		<b>(511,447)</b>
<b>Miscellaneous Income</b>		
Losses from Miscellaneous Income		(119,366)
Losses from Real Estate Sales		(4,340)
		<b>(123,706)</b>
<b>Financial Results</b>		
Exchange Rate Difference		2,221
Government Securities Quotation Difference		(32,901)
		<b>(30,680)</b>
<b>Net Income</b>		<b>(615,619)</b>

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

Banco Montevideo – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Montevideo – Bank Assets Recovery Fund (under liquidation)*)

**Cash Flow Statement as at 31 December 2012**

(in US dollars)

<b>Cash Flow from Operating Activities</b>	<b>2012</b>
Net Income	(615,619)
<b>Adjustments</b>	
Provisions for Lawsuits	317,548
Earnings for Sale of Fixed Assets	4,340
Securities Adjustment	(42,892)
Earnings Resulting from Difference in Securities Quotation	(25,642)
Liquid Assets Exchange Rate Difference	1,410
Earnings from Operations before Changes in Operating Items	(360,855)
Changes in Assets and Liabilities	
Variation in Operating Assets	84,550
Variation in Operating Liabilities	(57,292)
<b>Total Cash Flow Arising from Operating Activities</b>	<b>(333,597)</b>
<b>Cash Flow from Investment Activities</b>	
Income from Sale of Assets for Sale	7,660
Collected Interests and other Financial Income	45,493
<b>Total Cash Flow arising from Investment Activities</b>	<b>53,153</b>
<b>Funds Net Flow</b>	<b>(280,444)</b>
Liquid Assets Exchange Rate Difference	(1,410)
<b>Cash Funds at the Beginning of the Fiscal Year</b>	<b>616,020</b>
<b>Cash Net Funds at the End of the Fiscal Year</b>	<b>334,166</b>

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

Banco Montevideo – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Montevideo – Bank Assets Recovery Fund (under liquidation)*)

### Liquidation Fund Participants' Evolution Statement as at 31 December 2012

(in US dollars)

	Initial Equity	Payments to Liquidation Fund Participants	Equity Adjustments	Retained Earnings	Total Liquidation Fund Participants
<b>Initial Balances</b>					
Initial Equity	102,632,994	-	-	-	102,632,994
Payments to Liquidation Fund Participants'	-	(129,684,479)	-	-	(129,684,479)
Adjustments to Equity	-	-	28,327,206	-	28,327,206
Retained Earnings	-	-	-	267,106	267,106
	<b>102,632,994</b>	<b>(129,684,479)</b>	<b>28,327,206</b>	<b>267,106</b>	<b>1,542,827</b>
<b>Fiscal Year Modifications</b>					
Payments to Liquidation Fund Participants'	-	51,360	-	-	51,360
Adjustments to Previous Fiscal Year Earnings	-	-	-	-	-
Fiscal Year Earnings	-	-	-	(615,619)	(615,619)
	-	<b>51,360</b>	-	<b>(615,619)</b>	<b>(564,259)</b>
<b>Final Balances</b>					
Initial Equity	102,632,994	-	-	-	102,632,994
Payments to Liquidation Fund Participants'	-	(129,633,119)	-	-	(129,633,119)
Adjustments to Equity	-	-	28,327,206	-	28,327,206
Retained Earnings	-	-	-	(348,513)	(348,513)
<b>Total</b>	<b>102,632,994</b>	<b>(129,633,119)</b>	<b>28,327,206</b>	<b>(348,513)</b>	<b>978,568</b>

The notes attached hereto are an integral part of the financial statements.

The report dated 20 May 2013 is issued on an attached document. Deloitte S.C.

Banco Montevideo – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Montevideo – Bank Assets Recovery Fund (under liquidation)*)

## **Notes to the Financial Statements as at 31 December 2012**

(in US dollars)

### **Note 1 – Basic Information Regarding the Company**

#### **a. Legal Nature**

Banco Montevideo – Fondo de Recuperación del Patrimonio Bancario (en liquidación) (*Banco Montevideo – Bank Assets Recovery Fund (under liquidation)*), hereinafter the Fund, is a bank assets recovery fund created pursuant to Law 17,613 dated 27 December, 2002, and which is governed by Law 16,774 dated 27 September 1996, and its amending Law 17,202 dated 24 September 1999, and by the Operating Regulations approved by the Central Bank of Uruguay pursuant to Resolution D/933/002 dated 31 December 2002 and amending regulations.

The Fund is not a corporation and has no legal personality.

Pursuant to Section 50 of Law 18,401 dated 24 October 2008, management of ongoing liquidations of financial institutions at that time was to be transferred from the Central Bank of Uruguay to the Corporación de Protección del Ahorro Bancario (*Bank Savings Protection Corporation*). By virtue of the above provision, pursuant to Transfer Act dated 16 December 2011, the Boards of Directors of both entities agreed on transferring the management of several ongoing liquidations, among which that of Banco de Montevideo S.A. – Bank Assets Recovery Fund.

The Fund's term of existence was ten years, which could be extended in case the Fund assets were not recovered. On 31 December 2012 the Fund's ten-year term expired, whereupon the dissolution and liquidation thereof took place. Pursuant to Resolution 44/2012 of COPAB's Board of Directors, dated 28 December 2012, the Fund's dissolution and liquidation was disclosed to the general public.

#### **b. Main Activity**

The purpose of the Fund is to manage and liquidate assets, within the powers granted to the manager under Law 17,613. The Fund's assets have been received from Banco de Montevideo S.A. by virtue of the transfer by operation of law effected under Section 24 of the abovementioned Law and the resolution of the Central Bank of Uruguay declaring the dissolution and liquidation of the abovementioned Bank.

The Fund can only assume obligations when this is convenient for its operation in the manager's opinion.

## **Note 2 – Main Accounting Policies and Practices**

### **a. Basis for the preparation of the Financial Statements**

These financial statements have been prepared according to the Fund's Operating Regulations, as approved by the Central Bank of Uruguay on 31 December 2002, and, regarding any aspects not provided for thereunder, pursuant to accounting standards similar to the ones issued by the Central Bank of Uruguay for the Regulation and Control of Financial Institutions, and according to the following criteria.

### **b. General Valuation Criteria**

The Operating Regulations provide that, for the purpose of asset valuation, the market price criteria will be used, failing which, the benchmark value (assessment, contract value, book-entry value, etc.) will be used.

Owned Real Property as at 31 December 2002 (Note 6) is valued at its net accounting value as at that date.

### **c. Equity**

The Fund's Equity has been determined as:

- reclassification of liabilities for the creation of fund participations.
- amounts arisen on account of equity adjustments of the equity situation as at 31 December 2002,
- retained earnings since the beginning of the Fund's operations as at 31 December 2012,
- less payments to Liquidation Fund Participants' as at 31 December 2012

### **d. Earnings Determination**

To determine the fiscal year earnings the accrual basis was applied, both for recognition of income and for allocation of expenses.

### **e. Measurement Unit**

Pursuant to Resolution D/493/003 dated 14 August 2003 (Amendment of Regulations) of the Central Bank of Uruguay, the unit for determination of the

value of the fund participation is the US dollar. This currency is used for measuring the rest of the financial statements.

#### **f. Accounts in a currency other than that of the measurement unit**

Operations in a currency other than the dollar have been accounted for by their equivalent in US dollars, according to the exchange rates in force on the market as at the date of completion of the transactions.

Earnings arising from the use of exchange rates different than those in force as at the date or period when assets and liabilities were generated have been recognized during the fiscal year and stated under the exchange rate difference item.

Assets and liabilities balances in currencies other than the US dollar have been translated into the latter currency, according to the rates as at the closing date of the fiscal year, as per the following itemization:

-Balances in domestic currency considering the \$ 1 = US\$ 0.0516 rate, i.e., 1 US\$ = \$ 19.399.

-Balances in Euros, considering the 1 Euro = US\$ 1.322 ratio.

#### **g. Future Contingencies Estimate Reserve**

Section 24 of Law 17,613 provides for the creation of an additional fund participation to the incorporated liabilities, for future contingencies, which shall be disposed of by the liquidator.

Pursuant to Provision 15 of the Fund's Operating Regulations, the estimate for future contingencies should mandatorily contemplate the probability of occurrence of future events corresponding to appeals, claims and suits involving the assets and liabilities stated in the balance sheet as at 31 December 2002 of the Bank under liquidation, although there is no indication that these are the only items to be taken into account in order to create the reserve.

Since the fund participation for future contingencies is determined through an estimate, this shall be reviewed from time to time in order to contemplate variations in the originally anticipated future events.

In this sense, Resolution D/257/2007 dated 13 June 2007 of the Central Bank of

Uruguay provided for the review of the abovementioned estimate, on an annual basis, on 31 October every year. The Fund's authorities resolved to keep the estimate of the respective fund participation for future contingencies, at its current value.

For the purposes of issuing this estimate, the total number of suits and/or claims existing as at the closing date of the fiscal year, as per the reports issued by the respective legal advisers, including the claimed amounts, and the degree of probability of a final judgment unfavourable to the Fund, are taken into account.

The portion reserved for future contingencies, corresponding to partial redemptions made to date, is managed by the Fund Management and stated under the Liquid Assets item, for a total of US\$ 28,330,173 (Note 3).

Pursuant to the Resolution of the Board of Directors of COPAB D/44/2012, by virtue of the Fund's dissolution, it was resolved:

1- To keep at the liquidator's disposal liquid funds earmarked as to that date to the additional fund participation for future contingencies. These funds will be allocated to the payment of all costs and expenses corresponding to the defence in non-concluded judicial proceedings (Section 24 of Law 17,613 dated 27 December 2002) and 2- To keep at the liquidator's disposal all liquid funds earmarked as to that date to the fund participation for liabilities corresponding to the issue of Bonds.

#### **h. Definition of Funds for Cash Flow Statement purposes**

For the purposes of this Statement, funds were defined as liquid assets.

#### **Note 3 – Liquid Assets**

The balance is composed as follows:

Central Bank of Uruguay	28,503,522
Local correspondents	145,124
Banco de la República Oriental del Uruguay	62,120
Subtotal	<u>28,710,766</u>
Earmarked to future contingencies estimate (Note 2g)	(28,330,173)
Earmarked as guarantee	(46,427)
	<u><b>334,166</b></u>

The local correspondents' balance represents current accounts and savings accounts

opened in Nuevo Banco Comercial S.A.

Considering that the amounts received for future contingencies and Reserves for Presentation of Bonds under Board of Directors Resolution 621/003 of the Central Bank of Uruguay are managed by the Fund itself, the total of US\$ 28,330,173 for the above was allocated to liquid assets.

#### **Note 4 Temporary Investments**

This item's balance as at 31 December 2012 corresponds to securities under custody of the Central Bank of Uruguay, and securities under custody of the Banco de la República Oriental del Uruguay. A full provision has been made for the latter.

The abovementioned values have been calculated at the quotation value arising from the Central Bank of Uruguay's vector of prices as at the last working day of the fiscal year.

#### **Note 5 –Miscellaneous Credits**

This item's balance is composed as follows:

Deposit certificates – BII Creditanstalt (5.1)	2,445,185
Provision for Deposit Certificates – BII Creditanstalt (5.1)	(2,445,185)
Guarantee Deposits as (Note 5.2)	866,888
	<hr/> <b>866,888</b>

5.1 Corresponds to a balance receivable for the liquidation of BII Creditanstalt of Australia, for which a 100% provision has been made.

5.2 Corresponds to securities posted as guarantee in connection with judicial precautionary measures, under custody of Banco de la República Oriental del Uruguay, for a nominal value of US\$ 750,000.

#### **Note 6 – Assets for Sale**

Next is the itemization for the balance evolution throughout the fiscal year:

<b>Original Values</b>				
	<b>Values at Fiscal Year Beginning</b>	<b>Additions</b>	<b>Discharges</b>	<b>Values at Fiscal Year Closing</b>
<b>Vehicles</b>				
Acquired as loan	12,000	-	(12,000)	-
recovery				
<b>Total</b>	<b>12,000</b>	<b>-</b>	<b>(12,000)</b>	<b>-</b>

Discharges correspond to asset sales during the Fiscal Year

### Note 7 – Miscellaneous Liabilities

This item's balance is composed as follows:

Items to be paid to third parties	86,968
Tax Creditors	507
	<u>90,475</u>

The balance of items to be paid to third parties represents an outstanding balance to suppliers, as well as non-allocated collections.

The tax creditors' balance relates to the withholding balance payable.

### Note 8 – Provisions

The provisions balance corresponds to labour-related suits for contingencies not resolved to date.

### Note 9 – Initial Equity

The initial equity is composed as follows:

Non-adjusted initial equity	174,011,862
Payment to Liquidation Fund Participants' with certificates	(57,774,697)
Earnings	(13,604,171)
<b>Initial Equity</b>	<b>102,632,994</b>

The non-adjusted initial equity was determined as the difference between the assets' and liabilities' balances, not taken into account for the creation of fund participations, arising from the final balance sheet of Banco Montevideo S.A. as at 31 December 2002.

### Note 10 – Payments to Liquidation Fund Participants'

The total payments made to Liquidation Fund Participants' correspond to the balance accounted for under the Payment to Liquidation Fund Participants' item,

plus the payment to Fund Shareholders with certificates, included in the initial equity. No fund participation redemptions took place during the 2012 fiscal year.

The variation of the account's balance corresponds to an adjustment of the previous fiscal year's balance.

## **Note 11 – Memorandum and Contingency Accounts**

This item's balance is composed as follows:

Liquidation Fund Participants'(11.1)	547,701,649
Third Parties' Cash Management (11.2)	3,967,047
Third Parties' Securities Management (11.3)	19,515,148
	<hr/>
	<b>571,183,844</b>

### **11.1 Liquidation Fund Participants'**

This item represents the balance not paid to depositors, as per the following itemization:

Beneficiaries under Section 27	42,268,623
Appeals	318,181,788
Central Bank of Uruguay	28,798,348
Contingency	79,285,635
Bond Holders	64,224,836
Bonds ( <i>Obligaciones negociables</i> )	1,541,304
Other Creditors	13,401,116
	<hr/>
	<b>547,701,651</b>

### **11.2 Third Parties' Cash Management**

This balance basically corresponds to payments received through partial redemption of fund participations owned by the Government, earmarked to the provision of resources pursuant to Section 27 of Law 17,613. These amounts are managed by the Fund and are deposited in savings accounts in Nuevo Banco Comercial S.A.

### **11.3 Third Parties' Securities Management**

This item's balance corresponds exclusively to third parties' securities reported by Nuevo Banco Comercial, as arising from the agreements entered into by the Fund, and the values reported by the Deutsche Bank. Accounting values for which there was no inventory supporting the recorded value were discharged.



CORPORACIÓN  
DE PROTECCIÓN DEL  
AHORRO BANCARIO  
COPAB URUGUAY